FINANCIAL TIMES

World Business Newspaper

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European companies stand to gain as reward for 'more lenient' policies

Li Peng warns US over trade

By Tony Walker, Peter Montagnon and John Ridding in Beijing

Mr Li Peng, the Chinese premier, has warned that Beijing will favour European companies over their US counterparts as reward for their governments' pursuit of "more lenient" policies towards China.

In a blunt assertion of China's intention to use its growing economic weight for political ends, Mr Li praised the Europeans for extending "more favourable terms" to China and strongly criticised the US.

"They do not attach political strings to co-operation with China, unlike the Americans who arbitrarily resort to the threat of sanctions or the use of sanctions. That is the reason that has prompted China to enter into closer co-operation with the Europeans," he said.

Mr Li, 67, made his remarks in a rare interview. Regarded as a hardliner, China's premier has shunned contact with the western press since he ordered troops to crack down on student demonstrators in and around Beijing's Tiananmen square in 1989.

Mr Li, who suffered a heart attack in 1993, showed no sign of fatigue during a 90-minute discussion at Beijing's Zhongnanhai leadership compound. He made it clear that if talks this week with the US on intellectual property rights failed, China would impose "counter-sanctions" against imports of US goods.

China's premier, who visited France in May where he signed a $1.3bn order for 33 Airbus aircraft, made clear more orders would follow if Europe continued to pursue benign policies.

"If the Europeans adopt more co-operation with China in all areas, not just in economic areas but also in political and other areas, then I believe the Europeans can get more orders from China," he said.

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Mr Li, who is the architect in the Chinese government of the $30bn Three Gorges hydro-power dam project on the Yangtze river, said the US decision to withhold US EximBank financing for the project had effectively "killed" US involvement.

"But," he added, "the decision will lead to no loss for China because China can obtain the same technology from the Europeans or from the Russians."

Mr Li also sought to sound conciliatory on China's difficult relations with the outside world, including the US. Among his main points were:

- China is committed to a "dignified" handover ceremony for Hong Kong.
- Beijing wants to improve ties with the US and hopes relations can survive the presidential election year "without big ups and downs".
- Relations across the Taiwan Strait would be "strengthened in a peaceful manner" if Taiwan "returns to the position of one China not just in words, but also in deeds".
- China was in no hurry to press its application for membership of the World Trade Organisation.
- Beijing had no plans to phase out tax benefits for foreign funded enterprises in special economic zones.
- China would ease credit where appropriate to provide working capital to facilitate production of marketable products.

He said China was committed to pressing ahead with its reform of state-owned enterprises, and would focus its efforts during the ninth five-year plan (1996-2000) in seeking to transform lossmaking companies in its north-east industrial heartland.

Britain

THE ROGUE PIECE IN EUROPE'S JIGSAW

In a six-page report in tomorrow's paper, FT writers take the temperature of modern Britain and examine the issues behind its current conflict with its European partners

NatWest poised for US expansion with $600m purchase

National Westminster Bank is expected today to announce a $600m acquisition in the US designed to further the UK clearing bank's ambitions to develop a leading international securities business. NatWest is acquiring Greenwich Capital Markets, a Connecticut-based broker, from Long-Term Credit Bank of Japan. Greenwich will give NatWest a presence in the trading of US government bonds and related derivatives.

BA and American to seal link: British Airways and American Airlines are expected today to announce their long-awaited alliance amid strong opposition from rival carriers. Page 17

Debis may sell marketing arm: InterServices (Debis), services arm of the Daimler-Benz industrial group, is considering the sale of its Frankfurt-based marketing and advertising subsidiary. Page 17

Slight fall in German jobless: Unemployment in Germany fell by just under 150,000 last month, but a smaller-than-expected seasonally adjusted decline showed there is as yet no easing of the country's employment crisis. Page 16; German tax cuts luxury car sales 9.5%, Page 2

De Benedetti to appeal against jail term

Carlo De Benedetti (left), chairman and chief executive of Italian information technology group Olivetti, is to appeal against the 4½-year jail sentence handed down yesterday for his role in the collapse of Banco Ambrosiano 14 years ago. The sentence will be suspended awaiting the appeal, which may not begin for a year. Mr De Benedetti was briefly deputy chairman of Banco Ambrosiano. Page 3

China may partner Airbus: Airbus Industrie is to use its likely involvement in the development of a 100-seat Chinese jet to seek to persuade China to become a partner in the European consortium's planned "super jumbo". Page 6

Japanese store chief may quit: The president of Takashimaya, Japan's largest and oldest department store, may resign over allegations that the company paid racketeers not to disrupt shareholders' meetings. Page 16

Paris denies welfare deficit threat: The French government said its plans for European monetary union, tax restraint and welfare reform would not be affected by a forecast that the social security deficit will rise to FFr48.6bn ($9.45bn) in 1996, triple the government's target. Page 3

Japan's surplus falls: Japan's current account surplus in April was down 45 per cent on a year earlier, according to preliminary data from the finance ministry, but the pace of decline is expected to ease. Page 4; Japan looks to Asia, Page 14

Former World Service chief attacks BBC: John Tusa, former managing director of the BBC World Service, attacked top management at the public service corporation for a restructuring he called the "biggest act of bureaucratic vandalism against the World Service". Page 8

Fujitsu delays Oregon start-up: Fujitsu, one of Japan's leading semiconductor manufacturers, is postponing the start of production at a $1bn factory in Oregon by about six months because of a sharp slump in prices for memory chips. Page 17; Lex, Page 16

BIS considers expansion: The Bank for International Settlements may invite fast-growing countries in Asia and Latin America to join its ranks. Page 5

Draw for Scotland: Scotland drew 0-0 with The Netherlands in their first group match in the Euro 96 football championships, at Villa Park, Birmingham.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,679.01	(-18.1)
NASDAQ Composite	1,230.68	(+0.92)
Europe and Far East		
CAC40	2,120.84	(+18.85)
DAX	2,558.81	(+1.38)
FT-SE 100	3,728.8	(+22.0)
Nikkei	21,719.15	(-32.66)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.267%
Long Bond	86⅞
Yield	7.084%

OTHER RATES

UK: 3-mo Interbank	5$\frac{13}{16}$%	(5$\frac{27}{32}$%)
UK: 10 yr Gilt	96½	(95$\frac{13}{32}$)
France: 10 yr OAT	105.15	(105.09)
Germany: 10 yr Bund	97.81	(97.76)
Japan: 10 yr JGB	98.2205	(98.1205)

NORTH SEA OIL (Argus)

Brent Dated	$18.45	(18.34)

GOLD

New York: Comex		
(Aug)	$388.5	(387.6)
London:		
close	$385.85	(385.75)

DOLLAR

New York: lunchtime		
£	1.5335	
DM	1.53355	
FFr	5.196	
SFr	1.2655	
Y	109.005	
London:		
£	1.5313	(1.5417)
DM	1.536	(1.5345)
FFr	5.2035	(5.19875)
SFr	1.267	(1.266)
Y	109.085	(109.05)

STERLING

DM	2.352	(2.3657)
Tokyo close:	Y 109.4	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft250	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	CC1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pts250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£5.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr11.50	Kuwait	Fils650	Portugal (mainland)	Es240	Turkey	L80,000
		Lebanon	LL3,000			UAE	Dh12.00

CBS owner plans split to revive investor enthusiasm

By Richard Waters in New York

Westinghouse Electric, a household name in US business, said yesterday that it was considering splitting into two separate companies in a bid to win back investor support.

The move would be the final chapter in the lengthy restructuring of the conglomerate, during which it has shed businesses in household appliances, furniture, property and, most recently, defence electronics.

The announcement comes seven months after Westinghouse completed a $5.4bn purchase of CBS, one of the US's three main network television groups, and appeared to be an admission that the deal had failed to rekindle stock market enthusiasm.

By shifting its focus towards broadcasting, a business with higher growth prospects than its traditional industrial operations, Mr Michael Jordan, the company's chairman, had hoped to lift a share price that has barely moved for the past three years.

"The hope was that that would be reflected in the stock price. That has been only partly true," said a source close to Westinghouse.

The group has been concerned about a possible hostile bid. Late last year, it adopted a poison pill plan to ward off that possibility.

A break-up would separate the group's broadcasting business, based around CBS, from its industrial operations, which include power generation and refrigerated transport businesses. Mr Fred Reynolds, the company's chief financial officer, called the plan "the logical next step" in increasing the group's value.

The stock market welcomed the proposal yesterday morning, lifting Westinghouse's shares $1, or 5 per cent to $19¾. The reaction echoed the welcome given to other corporate break-ups, including ITT and AT&T.

"The investment community has had a hard time deciding what this company wants to be," said Mr Jonas Stiklorius, an analyst at NatWest Securities in New York.

A break-up would create a broadcasting company with television stations covering a third of US households, as well as one of the country's largest radio station groups and the CBS television network. With its separately traded stock, it would be better positioned to launch acquisitions, Mr Jordan told a briefing of stock market analysts.

Broadcasting already generates about 60 per cent of the group's earnings before interest, tax and depreciation.

Another aim of a break-up would be to help the group's

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Adams plea over Ulster talks

Sinn Féin president Gerry Adams (left) makes a plea to a Northern Ireland Office official outside Stormont Castle, Belfast, for an explanation of his party's exclusion from talks on the province's future. Report, Page 8 Picture: Reuter

Italian PM begins preparing for lira's re-entry into ERM

By Andrew Hill in Milan

Italy, France and Germany have agreed to start work on returning the lira to the European exchange rate mechanism, Mr Romano Prodi, Italy's prime minister, said yesterday in Paris.

Following a mini-summit with Mr Jacques Chirac, the French president, Mr Prodi said the three countries would begin preparations immediately after the Florence summit of European Union leaders on June 21 and 22.

Mr Prodi said that he and Mr Chirac had "prepared the procedure for ERM re-entry". Yesterday's meeting was part of a pre-summit tour of EU capitals by the Italian prime minister. Italy holds the presidency of the Union until the end of June.

After a summit two weeks ago with Mr Helmut Kohl, the German chancellor, the Italian prime minister said he was aiming to return the lira to the ERM by the end of the year.

Since then, the new Italian government has been under pressure from the financial markets to clarify its position on rejoining the ERM.

Yesterday's declaration underpins the commitment to early re-entry, especially as Mr Chirac was last year among the most vocal critics of the weak lira.

Mr Chirac caused a diplomatic row at last year's Cannes summit of EU leaders when he criticised Mr Lamberto Dini, then Italian prime minister, for the way in which the weakening lira was distorting competition between French and Italian businesses.

Yesterday, the lira stood at about L1,010 against the D-Mark, compared with nearly L1,200 a year ago. Analysts believe that if preparatory work on ERM re-entry starts at the end of this month, the currency could return to the system during the autumn.

The lira left the ERM, with sterling, in September 1992, and political instability made it one of the most volatile European currencies in the following three years. But in the past 12 months, the lira has recovered strongly, and was helped by the April 21 election of a centre-left government.

Italian entrepreneurs have even begun to express concern that they may lose the competitive position they built up in export markets between 1992 and 1995.

Mr Prodi said Mr Chirac had expressed "satisfaction with the new political stability in Italy, which will allow a deeper relationship between Italy and France, and will contribute to European integration".

The Italian prime minister added that the mini-budget for 1996, necessary to put the Italian economy back on course towards the Maastricht treaty's economic convergence targets, would be completed before the Florence summit.

Currencies, Page 27

Damascus bombing targeted at Syria's president

By David Gardner, Middle East Editor

President Hafez al-Assad of Syria, the driving force behind attempts to forge a common Arab front after the recent election victory of the rightwing Likud in Israel, was the target of a bomb attack in Damascus, according to senior Arab political sources.

The sources confirmed claims last week by the US State Department that there had been several explosions in Syria over the past month. The Syrian government last Thursday dismissed these claims as "silly and baseless".

But the Financial Times has learned that a bomb exploded on May 6 on the route Mr Assad was to have taken to the annual commemoration of nationalist rebels executed by the Ottoman Empire in the 19th century. The Syrian leader did not, in the event, attend the ceremony.

Since that explosion, Mr Assad's security services have arrested about 600 people, the Arab sources say. The arrests have been almost entirely among the ethnic Turkish community in Syria, indicating that Damascus suspects Turkey, a US ally and Nato member, of trying to undermine Syrian stability.

There have also been two recent call-ups of army reservists: at the end of April, during Israel's 17-day bombardment of Lebanon, and in May.

The Syrian government had claimed that the US report of explosions was an attempt to "divert world attention from what is happening in Israel". Mr Benjamin Netanyahu, the Likud prime minister-elect, has said he will not surrender the captured Golan Heights in exchange for peace with Damascus, or countenance a Palestinian state.

Circumspect reports on unexplained explosions in Syria began appearing late last week in newspapers in Lebanon, which is policed by 40,000 Syrian troops stationed there since the height of the 1975-90 Lebanese civil war. But the reports concentrated on the State Department's "advisory" last Tuesday urging

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هكذا من الاصل

German tax cuts luxury car sales by 9.5%

By Wolfgang Münchau in Frankfurt

Germany's leading carmakers said yesterday that a new company car tax had led to a drastic fall in sales of luxury cars, warning that 12,000 jobs were now at risk.

The German Motor Industry Association (VDA), the main car industry lobbying group, said that sales of luxury cars had fallen by 9.5 per cent during the first four months of the year. The chairmen of Germany's four luxury car makers – Mercedes-Benz, BMW, Porsche and Volkswagen – yesterday met in the VDA's executive committee, denouncing the tax as highly damaging to the competitiveness of the German car industry.

The new tax was introduced at the beginning of the year and is based on the value of a car, while previously the tax was based more on usage.

Since the new tax was introduced, many employees who would normally be entitled to a luxury company car have asked their companies to provide them with smaller cars instead.

For Germany's car manufacturers, the strong decline in sales in the upper segment of the market is particularly worrying, since large cars carry a significantly greater profit margin than small or mid-sized cars.

As a result, the impact on profitability is bound to be much greater than the fall in sales would suggest.

The VDA said that "if the trend continues in the coming months, we expect that 12,000 jobs are put at risk despite the introduction of many new attractive models."

The fall in sales comes at a time of high unemployment and worries over German industry's failure to create new jobs.

The VDA has been campaigning for some time against the tax, which it regards as the biggest threat to the German car industry at present.

The issue has united the car industry with Mr Klaus Zwickel, the president of IG Metall, the metalworkers' union, also criticising the tax because of its impact on jobs.

The government is in principle prepared to reconsider the details of the company car tax as long as any new arrangement would bring in the same amount of revenues of about DM1.1bn ($716m).

The government is waiting for the Bundesrat, the upper house of parliament, to bring forward new legislation, but the finance ministry has insisted that any new arrangement would also have to be seen as fair to the taxpayer.

Tax fairness is a crucial issue at a time when the government is hoping to enact a harsh programme of budget cuts, eating deep into the fabric of Germany's welfare state.

Gazprom buys 30% of TV channel

By Chrystia Freeland in Moscow

Gazprom, the state-controlled natural gas producer which is Russia's largest company, will today announce its acquisition of a 30 per cent stake in NTV, the country's only independent television channel.

Coming less than a week before presidential elections, the move threatens to bring NTV, which until recently had cultivated a reputation as one of Russia's most unbiased sources of news, under closer government control.

The acquisition by Gazprom, which has strongly backed Russian President Boris Yeltsin's re-election campaign and retains close ties with Mr Victor Chernomyrdin, the former Gazprom boss and prime minister, is seen as a sign of the Kremlin's remarkable skill at co-opting rival financial and political forces.

A year and a half ago, Mr Vladimir Gusinsky, the Russian banker who sold the NTV stake to Gazprom but still owns a controlling interest in the television company, watched his bodyguards being brutally beaten by the president's security force. After the incident, Mr Gusinsky spent nearly a year in self-imposed exile, saying he risked arrest if he returned to Russia.

By this March, however, in the run-up to Sunday's presidential ballot, the president of NTV had officially joined Mr Yeltsin's campaign team and the television station, which once infuriated the Kremlin with its graphic and critical coverage of the Chechen war, began to strongly tilt its broadcasts in the president's favour.

"This sale is a thank you to NTV for participating in Mr Yeltsin's election campaign," said Mr Sergei Markov, a political analyst at the Moscow-based Carnegie Endowment for Democracy. "It is the public christening of an alliance between the old, ex-communist establishment, symbolised by Gazprom and the *nouveau riche*, new Russian establishment, symbolised by NTV."

Students of the byzantine power plays within the Kremlin said the deal could be the first sign of an alliance between the oil and gas lobby, dominated by the prime minister and Gazprom, and the Moscow financial lobby, led by Mr Yuri Luzhkov, mayor of the capital city and closely linked with Mr Gusinsky and NTV.

Officials at NTV and at Gazprom said the sale was a purely commercial transaction, aimed at financing the launch of 5 satellite channels within the next year. They insisted Russia's corporate behemoth would not interfere in the television station's content.

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Governor protests at forced transfer of $1bn to help fund poll promises

Central bank attacks Yeltsin 'violation'

By John Thornhill in Moscow

On the campaign trail: Yeltsin is handed a rifle during a Tatar festival at Arsk, near Kazan AP

Russia's central bank yesterday protested that its independence had been violated after it was forced to transfer Rbs5,000bn ($1bn) to the federal budget to help fund President Boris Yeltsin's pre-election spending promises.

Mr Sergei Dubinin, bank governor, said the law adopted by parliament last week instructing the bank to transfer its 1994 profits to the federal budget jeopardised its independence and was potentially inflationary.

"We are strongly convinced this law contradicts the law on the central bank and the constitution," he said, adding that the bank planned to appeal to the constitutional court.

Russia's central bank has struggled since Soviet times to establish its credibility as an independent institution.

Under Mr Dubinin's direction, the bank has significantly strengthened its reputation by defending the value of the rouble, limiting monetary growth, and helping to cut the monthly inflation rate to 1.6 per cent in May, its lowest level since reforms began.

One western economist said the inflationary impact of the bank transfer would be minimal, but expressed concern about its political significance ahead of presidential elections on Sunday.

"What kind of precedent are you creating for the Communists if they win the elections? They can easily use it as a way of completely subverting the central bank's independence," the economist said.

The dispute highlights the pressure that the government is under to finance Mr Yeltsin's lavish spending promises by non-inflationary means.

Its financial plight has been worsened by a slump in the government debt market, where annualised yields on three-month paper have risen to 149 per cent, and by a severe shortfall in tax revenues.

Last week, Mr Yevgeny Yasin, economics minister, said tax arrears in 1996 amounted to Rbs60,000bn as companies and individuals delayed payments, explaining the need to transfer the funds from the central bank.

Mr Dubinin said the bank had issued Rbs13,000bn to the government since the last week in May, of which Rbs8,000bn was potentially inflationary.

However, he claimed the bank had taken sufficient steps to neutralise its inflationary impact and would not breach the targets agreed with the International Monetary Fund, designed to cut monthly inflation to 1 per cent by the year-end.

Mr Sergei Aleksashenko, deputy governor, said the central bank had sold $3bn of hard currency reserves to help soak up excess liquidity.

The bank's foreign exchange reserves now stood at $12.5bn, compared with $16bn at the beginning of April, he said.

The central bank has also moved to raise banks' reserve requirements and suspended its Lombard credit auctions to commercial banks.

"I think the reaction of commercial banks will be quite negative, but we have to be responsible for the stability of the financial system," Mr Dubinin said.

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Dilemma of an instinctively red army

Russia's once all-powerful military is divided by the ballot, writes Matthew Kaminski

Murmansk means "edge of the world" in the local Suami tongue, but the Arctic city is by no means marginal. The formidable Northern Fleet is based on the Kola peninsula and Murmansk lies a few dozen kilometres from Russia's only border with a Nato country, Norway.

"The Northern Fleet was the most powerful set up in Russia, and now it's not even ready for battle," says Mr Pyotr Kortunov, who runs the Kola Peninsula campaign of Mr Gennady Zyuganov, the Communist candidate in Russia's presidential election on Sunday.

Mr Kortunov blames President Boris Yeltsin.

"It was Yeltsin's strategy to weaken the state during the fight for power," he says.

Three times in the past five years the military has been critical in setting the course of Russian history – during the 1991 putsch, the storming of parliament two years later, and the war in Chechnya.

It is possible that it will be so again – either at the ballot box, or even after its contents are known.

New recruits: how will they vote?

The military is an unhappy constituency. Russia's estimated 1.5m to 1.7m servicemen are short of funds, arms, fuel and even clothes. Some conscripts in the Far East starved this winter. A nuclear submarine base near Murmansk had its electricity cut off after failing to pay its bills, until the local commander sent armed troops to the power station. The messy war in Chechnya has demoralised the troops and about 25,000 young men last year dodged the draft.

The president has responded to their discontent. His inner circle includes security hawks who emphasise stability that, in the end, the military can assure. Last month he tried a popular pitch: two decrees were signed, intended to phase out military conscription and set up a professional army in four years.

Making Russia strong again has been a salient campaign theme. "Yeltsin is playing the 'patriotic' card," says Mr Vasily Denisenko, the news editor at Murmansk's Polyarna Pravda, the local newspaper. "The western aid is needed, but Russia can't be a weak country..."

All the other presidential aspirants also pledge to restore the military's fortunes and to stop Nato's eastward expansion. Mr Zyuganov calls the army "the core of the state". An Afghan war hero, General Alexander Lebed, has been among the most vocal opponents of the war in Chechnya and strong advocate of carrying out the long-delayed military reform.

"The Soviet authorities treated the military well," says Mr Kortunov. "The nation might have gone hungry at times and the cities became poor, but the army let our country be an independent and great power."

The presidential decree abolishing the draft is aimed at young conscripts who come from across Russia – as well as at the mothers who daily picket the Murmansk administration denouncing the death of 14 local men who died in Chechnya.

The officer corps' loyalties are harder to gauge. "Every soldier, as in all the regions of Russia, has suffered," argues Mr Vladimir Pyrzh, the Northern Fleet's spokesman, "but the political steps taken by President Yeltsin will have an impact." So, too, might the promises of timely wages made last month by a visiting Mr Oleg Soskovets, the influential deputy prime minister.

The army tends to vote conservatively. Indeed, the military's natural instincts are communist: uniformed officers are frequently present in the crowds that greet Mr Zyuganov. In December's parliamentary vote they backed Mr Vladimir Zhirinovsky's Liberal Democratic party, which won the greatest share of votes in Severomorsk, the closed Northern Fleet headquarters up the road from Murmansk.

Mr Yuri Berger, deputy governor of Murmansk oblast and a Yeltsin supporter, calls the December result a "protest vote meant to show the government that the army is not getting enough financial support". Although campaigning on bases is illegal, he said he had visited many bases where the 150,000 servicemen, on top of a population of 1.1m, are stationed and predicted the army would vote "more seriously" this time – for Mr Yeltsin.

What worries Mr Yeltsin's opposition is that the military may be *told* to vote for Mr Yeltsin. There was a loud uproar last week when General Pavel Grachev, the defence minister, claimed that all sailors who had voted early in the presidential election had backed Mr Yeltsin. There was already considerable concern about corruption in the election, not least that it would be most effective among the military.

Observers believe that besides a yearning for stability and fear over a potentially violent conflict, the top brass will vote for the president "out of a fear that Mr Zyuganov would purge the army of officers" who backed Mr Yeltsin during the 1993 storming of parliament.

"Even if Zyuganov wins, he can't do anything that he promises, or he risks civil war," says Mr Berger, who opposed holding the elections.

Some Communists leaders are warning that the president would use force to ignore a disappointing electoral verdict, and might again be counting on the military's support outside the polling station, as he has in the past.

Yet many today are not sure which way the army would turn, given the poor conditions and low morale. "Knowing the real situation in the armed forces, many generals are genuinely afraid of totally losing control of their own troops in an emergency," says a Russian military analyst.

Russian and Chechen negotiators yesterday signed a military agreement aimed at ending the 18-month war in Chechnya, in a move which could give Russian President Boris Yeltsin a last-minute boost ahead of Sunday's presidential election, writes Chrystia Freeland in Moscow.

But the deal, which calls for the withdrawal of Russian troops by the end of August and the disarmament of Chechen separatist fighters, could be difficult to implement. A ceasefire agreed last month in the Kremlin has already been breached by both sides.

To achieve yesterday's agreement, Russian officials bowed to the Chechen demand that elections for a regional legislature, due to be held on Sunday, be postponed until after the Russian military withdrawal. That concession is likely to undermine Mr Doku Zavgayev, the republic's pro-Moscow president installed by Russia last year, and could make it easier for separatist fighters to return to government posts if Russian forces are withdrawn.

The agreement, signed by Mr Vyacheslav Mikhailov, nationalities minister, and Mr Aslan Maskhadov, chief Chechen military commander, also calls for Russian roadblocks around Chechen cities and towns to be removed by July 7 and establishes the procedures for the exchange of prisoners of war.

Analysts cautioned it might prove difficult to translate the agreement into real life, particularly after the June elections and the Kremlin's need to resolve the conflict has receded.

In the 10 days since last month's ceasefire formally went into effect, fighting between Chechen and Russian forces has continued. Even in Grozny, the Chechen capital which is far from the separatists' mountain strongholds, clashes continued yesterday.

Chechen and Russian officials have not yet touched on the political status of Chechnya, which local separatists insist must be independent but which Moscow is determined to retain within the Russian federation.

Brussels plan for fish fleet cuts attacked

By Caroline Southey in Brussels

The European Commission faced heavy criticism yesterday from EU fisheries ministers over its proposals that fleets for certain types of fish should be cut by 40 per cent.

A majority of member states turned on Mrs Emma Bonino, European commissioner for fisheries, who last month said entire fish species faced "biological collapse" unless fleet sizes were cut dramatically over the next six years.

Ministers attacked the way the cuts had been calculated, arguing no differentiation had been made between older, less efficient vessels and modernised vessels capable of netting larger catches. They also argued one of the studies used as a basis for the proposals had made no reference to industrial fishing.

Mr Sean Barrett, Irish fisheries minister, said any cuts must "target fleets or segments of fleets exerting unsustainable levels of effort". He argued that "economic supports and social flanking measures" should be considered to "cushion the impact" of any cuts on fishing communities.

Mr Philippe Vasseur, French agriculture and fisheries minister, said the proposals were "completely unacceptable". He said: "The future of some of our ports would be threatened."

Mr Tony Baldry, British fisheries minister, also rejected the proposals, adding Britain could not be expected to reduce fleet sizes further unless the EU first tackled the problem of quota hopping: where non-British fishermen have bought the quota entitlement from British fishermen.

Mr Baldry said quota hopping made it impossible for Britain to meet reduction targets. "It is easier for Spain to meet its targets when its fishermen are able to masquerade as British fishermen," he said. But Mrs Bonino said it would be impossible to "find a solution if [they] insisted on linking quota hopping with fleet cuts. There is no legal connection," she said.

Mrs Bonino has proposed three categories for fleet reductions: 40 per cent for those fishing for the most endangered stocks such as cod, haddock and whiting; 20-30 per cent for less sensitive stocks; and 12 per cent for stocks in balance. These cuts would come on top of reductions in EU fishing fleets in the present five-year guidance programme.

EUROPEAN NEWS DIGEST

Slovenia moves to join the EU

Slovenia yesterday applied for full membership of the European Union, after signing a long-delayed association agreement with the EU, the first step to EU membership. It is the tenth country from central and east Europe to become an associate member.

Citing a healthy economy, Slovenia hopes to join the EU as early as 2001. The agreement had been delayed by a long-running dispute with Italy over property rights for ethnic Italians who had fled after the second world war. The issue has been settled in a compromise, with Slovenia allowing EU nationals to buy property within four years of the association agreement being ratified.

The deal opens up trade possibilities and sets up regular co-operation in areas ranging from foreign affairs and crime-fighting to tourism and education.

Though the EU has no formal timetable for enlargement, it has indicated membership talks could start with east European nations next year. Slovenia, the most developed economy in central or east Europe, is expected to be one of the front-runners for early EU membership, alongside Poland, the Czech Republic and Hungary. *Kevin Done, London*

Credit rating boost for Hungary

Hungary was yesterday awarded a BBB- investment grade rating by Duff & Phelps (DCR), the US credit rating agency.

The decision follows similar action in April by IBCA, the London-based agency. It is a further sign of Hungary's rehabilitation in the international financial community, despite Standard and Poor's and Moody's, the two biggest credit rating agencies, still rating Hungary as a sub-investment grade risk (BB+ and Ba1 respectively).

DCR said the rating reflected "Hungary's demonstrated commitment to maintain an unblemished debt service record, strong integration into Europe's market economies and substantial progress in implementing structural reforms." It argued that these factors outweighed the risks linked to Hungary's relatively high level of indebtedness, problems stemming from its macro-economic difficulties of 1993 and 1994 and its social welfare system.

"Hungary has been the leading recipient of foreign direct investment in the central and eastern European region, which signals long-term investor commitment and confidence," said DCR. *Richard Lapper, London*

Turks lose fear of Islamist party

The pro-Islamic Refah party gained support from some union and business leaders yesterday, as its leader began talks with other party bosses in an attempt to form a coalition government.

Refah, which ended with the largest share of the vote after the December parliamentary elections, was blocked from power by a coalition of two centre-right parties which collapsed last week. Refah's anti-secular and anti-western rhetoric has scared many in the business community, but some may be softening their opposition.

"Refah should be supported to form a minority government," said Mr Bayram Meral, leader of the Turkish Confederation of Labor Unions. "There is no reason to be afraid of Refah."

Mr Sakip Sabanci, one of Turkey's most powerful businessmen, agreed. "If we believe in democracy, we have to test Refah in government," said Mr Sabanci. Since being asked by the president last Friday to try to form a coalition, Mr Necmettin Erbakan, the Refah leader, has sought to calm fears about his party by saying he would respect democracy fully if given the chance to rule. *AP, Ankara*

Walesa urges fight for Gdansk

The former Solidarity leader, Mr Lech Walesa, said yesterday that workers should "fight like lions" against Polish government plans for the bankruptcy of Gdansk shipyard, cradle of the former east bloc's first free trade union.

Unions plan to occupy the yard, picket banks and halt public transport in Gdansk to protest at the leftwing government's proposals, which they fear will finish off the enterprise.

Mr Walesa, who in 1980 formed Solidarity there and subsequently became the nation's president, said he would participate in whatever action the workers took. Mr Walesa earlier this year registered to resume his old job as an electrician at the yard, but he gave up the idea after parliament agreed to vote him a presidential pension.

At a shareholders' general meeting, the Polish treasury, controlling 60 per cent of the debt-ridden shipyard, effectively forced its management to file in court for bankruptcy. The privatisation minister, Mr Wieslaw Kaczmarek, a former communist, agreed to management proposals that a new company should first be set up with assets of the old, but set tough conditions which management and workers said crippled hopes for the future. *Reuter, Gdansk*

Parisians can hail London taxis

Parisians maddened by the refusal of their taxi drivers to carry more than three passengers may be in for a pleasant surprise. As of this week, London's distinctive black cabs have gone on sale in the French capital after almost a decade of bureaucratic red-tape and business hitches.

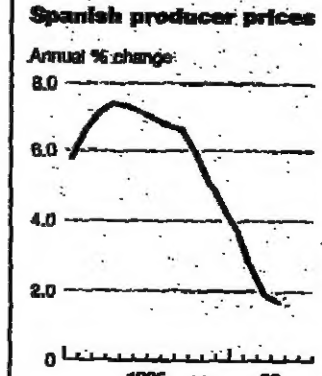
Parisian versions of the FX4 London cab – priced at FFr197,500 ($38,000) apiece – will come with the steering wheel on the left and in a choice of six colours – but not black.

London Taxis International, which only started targeting foreign markets relatively recently, has promoted its distinctive vehicles on the basis that they are the world's only purpose-built taxis, with space for five passengers and luggage as well as wheelchair access. Mr David Lea, the company's agent in France, claims to have received "overwhelming interest". He says he has been on a whirlwind round of media interviews since the vehicles were officially launched at the British Embassy last month. However, Mr Lea, who is having to restrict his marketing to Paris and its environs because of a restricted after-sales and service network, admits he has not yet concluded a transaction. *Haig Simonian, London*

ECONOMIC WATCH

Spain's inflation edges down

Spanish producer prices



Source: Datastream

Spain's rate of inflation slowed further in April, to 1.7 per cent year-on-year, from a 1.9 per cent annual increase in March. The producer price index (PPI) rose 0.2 per cent in April from the previous month, the national statistics institute (INE) said yesterday. Prices of chemical products and minerals not used for energy showed a decrease of 2 per cent in April from a year earlier. These prices rose 0.3 per cent in April from March. Chemicals had seen some of the steepest PPI year-on-year rises in recent months, according to INE. Energy prices rose 1.5 per cent in April from the same month in 1995, and were up 0.8 per cent in April from March. Consumer goods prices increased 4.2 per cent in April from a year earlier and were up 0.2 per cent in April from March. *AP, Madrid*

■ French consumer prices rose a provisional 0.2 per cent in May after rising by the same rate in April. The year-on-year inflation rate was 2.4 per cent, also the same as in April.

■ Norway's inflation rate was 1 per cent for the 12 months ending on May 15, unchanged from the annual rate reported for April and down from 2.7 per cent in May 1995.

De Benedetti to appeal over jail term

By Andrew Hill in Milan

Mr Carlo De Benedetti, chairman and chief executive of Olivetti, the Italian information technology group, is to appeal one last time against the "unjust and unjustified" four-and-a-half-year jail sentence handed down yesterday for his role in the collapse of Banco Ambrosiano 14 years ago.

The sentence will be suspended awaiting the final appeal, which may not begin for another year. Advisers to Mr De Benedetti, who was briefly deputy chairman of Banco Ambrosiano before its collapse, said yesterday that amnesties on jail terms meant the industrialist would not have to go to prison, even if the appeal to Italy's highest court failed.

They added that there would be no financial or legal consequences for the companies he heads, which include Olivetti and the two quoted Italian holding companies, Cir and Cofide. The Milan appeals court reduced Mr De Benedetti's original sentence of six years and four months, handed down in 1992 for being an accessory to the fraudulent bankruptcy of Banco Ambrosiano, run by Mr Roberto Calvi, the financier found hanging under Blackfriars Bridge, in London, in June 1982.

The court also cut the sentences of other defendants. Of the 33 people sentenced in 1992, 13 have already plea-bargained lower sentences and three have died. Mr Licio Gelli and Mr Umberto Ortolani, accused of manipulating the bank through the banned P2 Masonic lodge, had their sentences reduced to 12 years each. Both men will appeal.

Mr De Benedetti, 61, is one of the few defendants of the original Ambrosiano case still in the international limelight, although his reputation has also been dented by the unrelated admission three years ago that Olivetti paid politicians for contracts, and the persistent losses of the computer manufacturer.

Banco Ambrosiano collapsed in 1982 with $1.3bn of debts, setting off a scandal which involved the Vatican and some of Italian finance's best-known names. Mr Calvi invited Mr De Benedetti to become deputy chairman in late 1981, a post the industrialist held for 65 days, before he was forced out.

The criminal cases have focused on the stake in Banco Ambrosiano bought by Mr De Benedetti just before he took on the job, and sold to third parties just after his departure. The courts have so far upheld prosecutors' claims that the industrialist made an illegal profit on the sale.

Mr De Benedetti said yesterday that in spite of "deep bitterness for this unjust and unjustified sentence, I continue to maintain the equanimity deriving from my firm belief that throughout this affair I have always acted properly and transparently". He added: "Neither I nor my companies gained one lira, and neither did Banco Ambrosiano lose one lira on my exit from the bank."

Earlier this year, Banco Ambrosiano's liquidators settled out of court with Mr De Benedetti to end a civil case in which they claimed the Olivetti chairman should reimburse some L80bn ($51.6m) plus interest. Mr De Benedetti had won the case in the lower courts but both sides wanted to avoid a costly appeal.

Carlo De Benedetti: the case history

November 1981 Carlo De Benedetti appointed deputy chairman of Banco Ambrosiano

January 1982 Resigns as deputy chairman, later citing disagreements between himself and Ambrosiano chairman Roberto Calvi

June 1982 Calvi found hanged under Blackfriars bridge in London

August 1982 Banco Ambrosiano collapses with around $1.3bn debts, becoming Italy's worst post-war bank failure

May 1984 Ambrosiano debts settled for [illegible], [illegible] per cent paid by the Istituto per le Opere di Religione (IOR), better known as the Vatican Bank

February 1987 Warrant issued for the arrest of Archbishop Paul Marcinkus, IOR chairman, over IOR involvement in Ambrosiano

April 1992 Thirty-three people including De Benedetti sentenced to jail for involvement in the affair

July 1994 Former prime minister Bettino Craxi sentenced to eight and a half years for fraud in Ambrosiano case

June 1996 Milan court passes reduced sentences on appeal, cut some of the convicted, including De Benedetti, [illegible] further appeals

"I can only conclude that the court has not had the courage to make a distinction between my position and that of the other defendants"

Paris denies threat from welfare deficit

By David Buchan in Paris

The French government yesterday claimed its plans for European monetary union, tax restraint and welfare reform would not be pushed off course by the official forecast that the social security deficit will rise to FFr48.6bn ($9.45bn) in 1996, or triple the FFr16.6bn target.

The finance ministry said it would hold to its timetable of reducing the overall deficit to 4 per cent of national output this year, preparatory to a cut to 3 per cent next year, one of the criteria for qualifying for European monetary union.

Scrambling to reassure public opinion and the financial markets, Mr Hervé Gaymard, junior social security minister, told one radio station "there is no *question*" of any new welfare charges to plug the extra deficit.

Mr Jacques Barrot, social affairs minister, told another radio station "the French should be not discouraged from continuing the effort", which, he said, would require "endurance and perseverance".

Leaked several days in advance of its formal publication on Wednesday, the report by the Social Accounts Commission is not an indictment of Prime Minister Alain Juppé's controversial reforms to cut health, pension and family allowance spending from this year on.

Indeed, it says the Juppé reforms look like being 85 per cent successful in pruning spending by some FFr31bn this year. But these savings will be wiped out by a big correction to take account of past family allowance spending, and by an estimated FFr30bn shortfall in receipts from payroll charges, depressed in line with economic activity.

If the economy picks up in the second half of the year, receipts should increase, Mr Barrot said yesterday, pointing out that a one percentage point increase in the national wage bill brings FFr10bn extra into the welfare system.

The Unedic national unemployment insurance scheme, which is run separately by employers and unions and not covered by the Social Accounts Commission's figures, is also expected to show a FFr6-FFr7bn surplus this year. The overall welfare deficit for the year might therefore end up not much more than FFr40bn, which the government might try to deal with by enlarging the scope of its new tax-backed Cades bond issue.

More worrying for the government is the comment by Mr Jean Marmot, secretary-general of the Social Accounts Commission, in the report's introduction that "it would be imprudent to count on a return to balance [of the health, pension and family allowance schemes] from 1997". That is precisely what the government is banking on to bring total public – budget and welfare – deficits to 3 per cent next year.

A fresh financial challenge comes today with the government announcement of how it plans to relieve the SNCF state rail system of some of the crushing burden of financing infrastructure. The signs are that Mr Bernard Pons, transport minister, will tell parliament the state will increase from FFr13bn to FFr23bn a year its subsidy for track laying and maintenance, the responsibility for which will shift from the SNCF to a new state structure.

Ukraine voices economic optimism

By Matthew Kaminski in Kiev

Ukraine yesterday opened talks with the International Monetary Fund on a new loan programme at a time of growing optimism that the country will soon see an end to five years of economic decline.

The IMF will begin exploratory discussions on a three-year loan package and programme of structural reform, scheduled to begin next year. It will also assess whether Ukraine has complied with the conditions of the current $900m stand-by loan, which will be disbursed in monthly tranches until December.

The lowest registered monthly inflation rate in Ukrainian history, of 0.7 per cent in May, and the continuing strength of the karbovanets currency, steady at around 185,000 to the dollar since last August, prompted government ministers at the weekend to declare that Ukraine's economy has turned the corner.

But growth remains stagnant and economists only expect output to finally bottom out this year. Production fell 11.8 per cent in the first quarter, the biggest drop in the former Soviet Union.

There is also concern over the budget deficit. An IMF official said that the deficit is "close to the limit" agreed with the fund.

He also warned that low inflation might be merely seasonal, and cautioned Ukraine's "track record of stabilisation and low inflation is very short". Administrative price increases in July are likely to raise inflation again. However, Mr Victor Yushchenko, the central bank governor, said no more money would be printed this year to cover the budget deficit, which, if true, would put the target of 40 per cent annual inflation within reach.

There have also been firm signals from the new prime minister, Mr Pavlo Lazarenko. In his first speech, Mr Lazarenko at the weekend tried to dispel alarm among Ukrainian liberals about his commitment to reform. Mr Lazarenko said that, with inflation under control, privatisation and land reform would be his government's top priority.

Mr Lazarenko also indicated the cabinet would be reshuffled this week. The finance minister has been criticised for poor budget control. Reformist economics ministers are now expected to stay on, although the pro-western justice minister, Mr Serhei Holovaty, yesterday resigned.

Mr Jeffrey Sachs, a Harvard economist and a new adviser to the Kiev government, said Ukraine now needed a growth strategy that emphasised tax and bureaucratic reform to goad back domestic investors from the large shadow economy. He criticised the IMF programme as "unimaginative" for not lowering taxes and overhauling social spending.

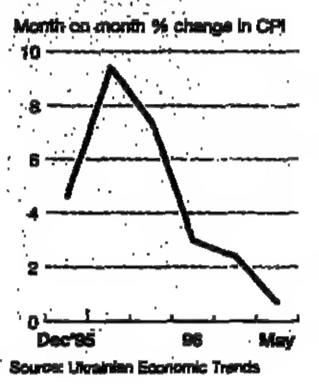
He said exports, which could propel a recovery, have failed to reorient to more lucrative western markets.

Ukraine ran a $553m trade deficit the first two months of the year, according to the statistics ministry.

Another potential hindrance to growth is persistently high interest rates. The estimated annualised real interest rate is 66 per cent.

Ukrainian inflation

Month on month % change in CPI



Source: Ukrainian Economic Trends

French economic magazine owner files for bankruptcy

By Andrew Jack in Paris

The financial troubles of France's business press were highlighted yesterday when the publisher of the weekly magazine Nouvel Economiste filed for bankruptcy.

Mr Henri Nijdam demanded protection from his creditors while maintaining his hope that a court-appointed administrator would pursue his rescue plan, including a further FFr7m ($1.35m) in financial support.

Nouvel Economiste, loosely modelled on The Economist magazine to cover a mixture of business, politics and macro-economic issues, was formed by the merger in 1975 of two business magazines founded after the second world war, one owned by the Hachette group and the other by Havas.

Mr Nijdam has already gathered FFr10m from outside backers and reached a co-operation agreement with the daily newspaper Le Monde, which includes a plan to move the magazine into its offices and grant the paper up to 35 per cent of the capital over the next five years.

The action comes at a time of intense financial difficulties for the French press, in particular for the overcrowded business field, where there are three daily newspapers and another seven magazines.

Mr Nijdam took charge in 1992 with a group of outside investors, but has long complained about the absence of sufficient capital for the magazine, which has lost FFr120m in the last three years. He stresses that circulation has risen by more than 30,000 to just over 100,000 since he took charge, and believes Nouvel Economiste can break-even with 120,000 readers.

Under his latest plan in conjunction with Le Monde, Mr Nijdam believes Nouvel Economiste could break even at the operational level in 1997. The bankruptcy judge is expected to take charge of the magazine on Thursday, and will decide whether to accept his proposals or seek to sell off assets.

NEWS: ASIA-PACIFIC

Corruption probe puts Rao under pressure

By Shiraz Sidhva in New Delhi

Allegations of corruption against the family of Mr P.V. Narasimha Rao, leader of India's Congress party, are expected to cloud a parliamentary confidence vote in the new coalition government which Congress is backing from the outside.

The Central Bureau of Investigation, the federal government's police agency, said at the weekend that Mr P.V. Prabhakar Rao, Mr Rao's son, and Mr Sanjeeva Rao, the brother-in-law of another son of the former prime minister, had been named by a suspect in a $40m urea import scandal.

The 13-party United Front of Mr H.D. Deve Gowda, the prime minister, remains likely to win the vote due today, but the debate preceding it is certain to allude to the corruption charges and embarrass the government, which depends on the votes of Congress MPs to survive.

The allegations against Mr Rao may jeopardise his leadership of Congress, causing an upheaval in the party that has ruled India for all but four years since independence.

The bureau said Mr Samabasiva Rao, who worked for a company called Sai Krishna Impex in Hyderabad – the capital of Andhra Pradesh, Mr Narasimha Rao's home state – had claimed during interrogation that the Turkish company Karsan had bribed Mr Rao's relatives to win an order to supply 200,000 tonnes of urea to National Fertiliser, a state-owned company.

Mr Rao has, through a government spokesman, denied any involvement in the kickbacks.

The Hindu nationalist Bharatiya Janata party (BJP), which emerged the largest single party in general elections in May but was unable to muster a majority in parliament, is expected to raise the issue. Mr Jaswant Singh, deputy leader of the BJP in the upper house, said yesterday that his party would press for a two-day debate on the corruption issue, which would force the house to hold the confidence vote tomorrow.

Mr Jaipal Reddy, the United Front spokesman, said the allegations would not affect the outcome of the confidence vote, but could harm Congress.

India's left-wing parties, which form an important part of the United Front alliance, are pressing Mr Gowda to dissociate himself from Mr Rao, and to ensure that the cases aginst him are pursued with vigour.

The Communist Party of India (CPI) has demanded a probe into the scandal, saying there would be no compromise on the issue "regardless of the important personages stated to be involved".

"This is precisely why we refused to be part of a government that involves the Congress," said a senior MP from the rival Communist Party of India (Marxist), which, unlike the CPI, has chosen to support the United Front government from the outside.

Mr Rao also faces charges that a regional party, the Jharkand Mukti Morcha, received bribes to help his government defeat a no-confidence motion in 1993.

Import growth cuts Japan surplus

By William Dawkins in Tokyo

Japan's current account surplus in April was down 45 per cent on a year earlier, according to preliminary data from the finance ministry yesterday, but the pace of decline is widely expected to ease.

The surplus has now been on the retreat, with one interruption, for each of the past 18 months.

This latest decline to Y555.2bn ($5.1bn) was slightly less steep than the market had expected. Many economists forecast the trend will slow in the next few months, as a weaker yen and US economic recovery lift exports.

Within the current account, Japan's merchandise trade surplus for April shrank to Y559bn, down 49 per cent on the same month last year.

Import growth of 43 per cent, driven by a recovering domestic economy, outpaced export growth of a mere 12 per cent.

Export growth was constrained by the sudden slowdown in world demand for semiconductors, which has caused the Japanese electronics industry to scale back new investment in computer memory plants.

A sharp increase in tourism, where Japan recorded a Y254bn deficit, a record for April, pushed the overall goods and services account into the red. Trade in goods and services resulted in a small Y26bn deficit, the first in three months, a sharp swing from a Y652bn surplus in April last year.

However, Mr Russell Jones, chief economist at Lehman Brothers Japan, argues that the fall of more than 25 per cent in the yen's value against the dollar over the past year has only just started to feed through to better export competitiveness.

Import growth has been slightly exaggerated when counted in depreciating yen, because three-quarters of imports are denominated in appreciating foreign currency, mainly dollars, he adds.

Only two-thirds of Japan's exports, by contrast, are recorded in foreign currency.

That should not obscure two important structural changes which support a higher level of imports over the long term: a growing number of internationally-minded consumers and the shift of Japanese manufacturing output to foreign plants, output of which is sold back to Japan, Mr Jones added.

Evidence of the scale of Japan's industrial exodus came in a separate finance ministry report yesterday, showing Japanese companies' direct investment abroad, including spending on new plant, equity and loans, rose 16 per cent in the 12 months to March to Y4,957bn ($45.3bn), the highest for four years.

The US and Asia were the main focus, though Europe also achieved a small rise in its share of Japan's foreign spending.

China was the fastest growing destination for Japanese investment, up 61 per cent to Y432bn, nearly 9 per cent of the total.

The US was the second fastest growing destination, accounting for 44 per cent of Japan's foreign direct investment last year, two percentage points more than in 1995. Total Japanese investment in the US rose by a fifth.

That was followed by Asia with 24 per cent of the total, a fractionally larger share than in 1995, beating Europe for the second year in a row.

Europe's share rose by just over one point to 17 per cent.

Japan turns westwards, Page 14

Bank lowers rate as monetary fears ease

By Gerard Baker in Tokyo

Industrial Bank of Japan, the country's leading provider of long-term credit for industry, is to cut its prime lending rate by 0.3 percentage points to 3.3 per cent with effect from tomorrow.

The reduction in the rate, the benchmark cost of borrowing funds for one year or longer, is the first for six months, and reflects recent diminishing expectations in bond markets of an early rise in official interest rates.

The gradual revival in economic activity has been pushing up yields in the bond market throughout 1996.

Lending rates are closely tied to bond yields, and the long-term prime rate charged by Japan's three credit banks has also been drifting upwards. It rose to 3.6 per cent last month, up from 2.6 per cent at the beginning of the year.

In the past few weeks, market interest rate pressures have eased, as finance ministry and central bank officials have played down the prospect of an early monetary tightening. That paved the way for yesterday's cut.

IBJ sets its prime lending rate 0.9 points above the coupon on its new monthly issue of five-year debentures, one of its main sources of fund-raising. The coupon rate is revised when the market yield on the most recently issued debenture deviates from its original coupon rate by 0.2 percentage points or more.

Long-Term Credit Bank of Japan and Nippon Credit Bank, the other banks in the sector, are expected to announce similar rate cuts in the next few days.

One-all in public battle to reform Philippine tax system

Manila's wealthy have been given something of a jolt over the past few days. The Philippine government, as part of its campaign to combat the country's notorious aversion to taxes, published a list of the country's top 1,000 taxpayers in leading newspapers last week.

The exercise – designed to embarrass people who were generally expected to be on the list but somehow managed not to enjoy the distinction – did not include the name of Mr Lucio Tan, one of the country's leading businessmen and chairman of Philippine Airlines.

Mr Tan, who, by coincidence also last week, defeated the government's plans to prosecute him for allegedly evading 25.6bn pesos (US$1bn) in taxes when the supreme court dismissed the case on a technicality, was not the only Chinese-Filipino businessman who failed to make the list.

Of the six leading Chinese-Filipino "taipans", only one, Mr Alfonso Yuchengco, Philippine ambassador to Japan, was among the 1,000 published names. Now the list, which has been dominating dinner party chit-chat in Manila's upmarket condominiums, is to become an annual event.

"The exercise has been a success," said Ms Liwayway Vinzons-Chato, head of the bureau of internal revenue, the government's tax collection body. "Not only have we set people gossiping about why certain names are not on it but we have also created a certain snob value about being on the list. Some people are genuinely embarrassed to be excluded."

However, not everything has gone so well for the tax reformers. Government ministers yesterday said the high-profile campaign to push a tax modernisation bill through congress was being undermined by "vested interests".

The newly built Gugo bridge north of Manila collapsed at the weekend as a 10-wheel lorry crossed it. The bridge was built to ease traffic in an area prone to floods caused by volcanic ash. Reuter

Congress, which went into recess yesterday having failed to carry out its pledge to enact the bill during this session, has watered down key revenue-raising elements in the bill and looks set to push through a much-shorn version when it reconvenes in July.

"The tax bill is being hijacked by wealthy business groups for their own purposes," said Ms Mildwada Guevara, undersecretary at the department of finance, yesterday. "The poor and the nation at large who stand to benefit from a modernised tax system do not have the resources to counteract the lobbying efforts of these powerful interests."

The administration says its biggest headache is over congress's determination to dilute the clause which would abolish the ad valorem tax on beer and tobacco and replace it with a specific excise tax on retail prices. The current compromise proposal is a hybrid of the ad valorem and excise systems that some economists say not only complicates the bill that was supposed to simplify the tax structure but would also barely raise more revenue than the current system.

The ad valorem tax, which taxes 60 centavos for every one peso cost in the production process, is widely seen as a failure. The government calculates that the shift to specific excise taxes would raise an extra 6bn pesos a year or almost half the expected 14bn pesos to come from the new tax system.

The new system is intended to broaden and simplify the income tax system as well.

Government officials and some private sector economists point out that the compromise formula would maintain Mr Tan's Asia Brewery's tax advantage over its chief rival, San Miguel, which last year paid 6.8 per cent of all government revenues.

Meanwhile, in the courts, government lawyers alleged that Mr Tan, who has lobbied congress heavily to preserve the ad valorem tax, avoided paying 25.6bn pesos by under-declaring production costs at his beer and marketing companies through shifting costs to "ghost" marketing subsidiaries. Mr Tan, who successfully contended that the government had breached his rights when it failed to give him 30 days' notification before investigating his tax affairs, denies the allegations.

Tax officials say that Mr Tan's supreme court victory casts legal doubt on the validity of more than 100 other tax evasion cases, including two against the family of the late dictator, former president Ferdinand Marcos.

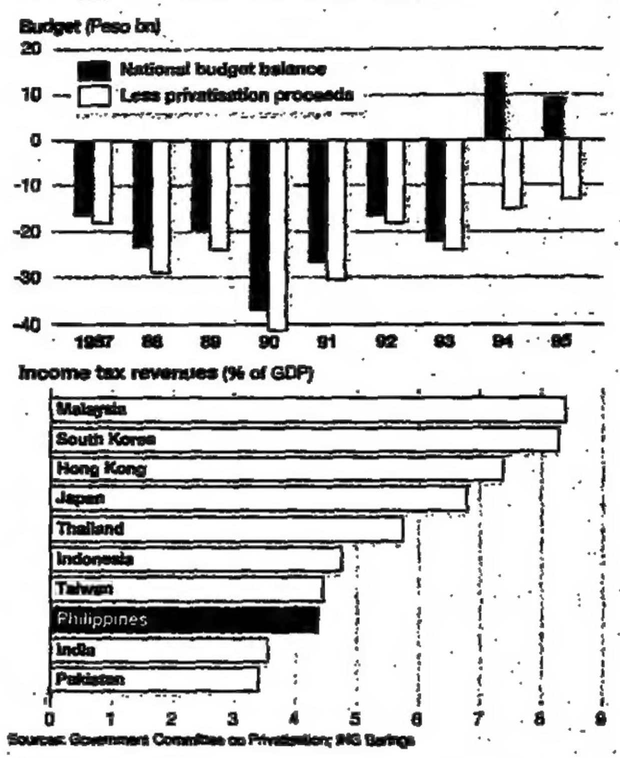
"The supreme court decision will provide tax evaders a legal shelter for their criminal liability," said the bureau of internal revenue in a statement last week. "Tax evaders should be punished with the full force of the law and not rewarded through any form of technical exoneration."

The growing list of setbacks for the government's tax collection drive and the spectre of further retreat on the legislative front threaten to damp the government's otherwise impressive record of reform, say economists.

The government had hoped that increased tax revenues would compensate for a decline in the proceeds from the privatisation programme. These have raised 172bn pesos so far, allowing a budget surplus last year of 10bn pesos, but are expected to drop from 45 per cent of non-tax revenues in 1995 to 3 per cent in 1997, according to ING Barings, the investment subsidiary of the Dutch bank.

"The breathing space provided by privatisations for fiscal reform is running out," said ING Barings in a report entitled Facing up to a Fiscal Pinatubo, a reference to the the Philippine volcano that erupted a few years ago. "Unless the reforms are implemented [in their original version] the underlying weakness of the tax system will result in fiscal fallout with serious implications for interest rates and overall GDP growth."

Edward Luce



Sources: Government Committee on Privatisation; ING Barings

S Korea awards telecom licences

By John Burton in Seoul

The LG group yesterday beat a Samsung-Hyundai alliance to win a coveted licence to operate South Korea's first personal communications service (PCS).

State-run Korea Telecom and Hansol, the country's leading paper company, also received licences to operate PCS networks, a low-cost alternative to cellular phones predicted to enjoy strong growth. The system is expected to attract 10m subscribers within five years after operations start in 1998.

The three PCS licences were the most eagerly contested among the 27 awarded in seven telecom service sectors by the Ministry of Information and Communications. No foreign operators were allowed to bid for the licences, since international competition in telecom services will not be permitted until 1998.

The new licences are expected to generate Won6,000bn ($7.6bn) in sales, with Won1,000bn for telecom operators and Won5,000bn for telecom equipment manufacturers.

Participation of manufacturers such as LG in providing services should strengthen their control over the domestic market, a subject of trade disputes with the US and the European Union.

Talks between the EU and Seoul on European access to Korea's telecom equipment market ended in apparent stalemate last week, with Brussels threatening to complain to the World Trade Organisation.

LG was awarded a PCS licence reserved for telecom equipment companies. But Samsung, another equipment maker, may gain a strong foothold in the PCS market because Hansol is a former subsidiary of the group.

Another potential barrier to foreign competition in the PCS equipment market is that the network will use the digital code division multiple access standard, now in operation only in Korea and Hong Kong. Korea's early acceptance of CDMA for cellular phones has given its telecoms makers a global headstart in producing CDMA equipment.

Other licences went to Anam, an electronics company, for a national trunked radio service, while a consortium led by the textile group Kohap is to become Korea's third international call operator.

LG may be forced to give up management control of Dacom, another international call operator, as a condition for receiving the PCS licence.

Other licences were awarded for cordless phone services, wireless data transmissions, paging and telecom network leasing.

China move on provident fund for HK

By Louise Lucas in Hong Kong

China's top official on Hong Kong affairs yesterday suggested the territory adopt Singapore's state pension scheme as a model for a mandatory provident fund which the territory is to set up.

Mr Lu Ping, director of China's Hong Kong and Macao Affairs Office, spoke during a visit to Singapore as part of an Asian tour to ease concerns about Hong Kong after it reverts to Chinese sovereignty next June. He said the scheme was needed to fund public housing after 1997.

The Hong Kong government is opposed to a system such as Singapore's Central Provident Fund which, in setting stringent investment guidelines is at odds with Hong Kong's professed desire for free markets.

Jim Kelly adds: China is likely to join the organisation seeking to harmonise accounting standards particularly for use on stock markets. Mr Michael Sharpe, chairman of the International Accounting Standards Committee, said yesterday China could take up membership by next summer.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.3
1986	105.5	100.9	6.9	95.4	95.5
1987	108.4	106.0	6.1	104.2	96.7
1988	112.5	110.7	5.4	104.9	100.2
1989	115.4	112.4	5.2	97.9	99.1
1990	116.2	112.4	5.5	82.7	95.3
1991	113.5	110.4	6.8	61.7	100.2
1992	117.2	114.2	7.4	51.8	105.0
1993	123.4	118.2	6.8	67.7	110.7
1994	130.9	125.1	6.0	79.0	112.8
1995	136.1	129.3	5.6	79.1	112.9
2nd qtr.1995	4.2	3.3	5.6	77.4	111.2
3rd qtr.1995	4.5	3.0	5.6	78.8	111.0
4th qtr.1995	2.9	1.6	5.5	79.4	112.9
1st qtr.1996	3.7	1.2	5.6	78.1	115.5
May 1995	4.7	3.3	5.8	75.3	111.4
June	4.9	2.6	5.5	76.2	111.2
July	4.9	2.7	5.6	79.8	111.2
August	4.5	3.2	5.6	78.9	111.0
September	4.2	3.1	5.6	77.8	111.0
October	2.1	1.9	5.4	78.6	110.8
November	3.1	1.7	5.5	78.9	111.8
December	3.5	1.1	5.5	82.5	112.9
January 1996	2.1	0.6	5.7	79.6	114.2
February	5.3	1.8	5.5	79.5	115.3
March	3.7	1.2	5.6	78.1	115.5
April		2.6	5.4	76.2	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	76.4
1986	106.6	99.7	2.8	94.3	83.4
1987	113.8	103.1	2.8	108.3	91.1
1988	122.8	113.1	2.5	135.9	96.7
1989	132.5	119.7	2.2	147.0	98.7
1990	141.7	124.5	2.1	149.8	95.7
1991	144.8	126.7	2.1	144.2	92.7
1992	139.9	119.0	2.1	124.2	91.6
1993	131.8	113.6	2.5	108.6	96.9
1994	129.6	114.5	2.9	102.2	104.8
1995	128.6	118.5	3.1	106.5	109.4
2nd qtr.1995	-0.8	4.7	3.1	104.9	106.0
3rd qtr.1995	0.5	1.8	3.2	105.1	107.6
4th qtr.1995	-0.3	1.8	3.3	109.9	109.4
1st qtr.1996		1.2		110.7	108.8
May 1995	-0.7	5.5	3.1	106.3	105.8
June	-0.3	3.3	3.2	104.5	106.0
July	-0.9	2.1	3.2	104.2	106.3
August	0.7	1.1	3.2	105.8	107.0
September	1.8	1.7	3.2	105.4	107.6
October	-1.1	2.6	3.2	109.0	107.9
November	1.3	1.1	3.4	109.6	108.9
December	-1.1	1.7	3.4	111.2	109.4
January 1996	5.6	3.0	3.4	110.1	109.0
February	4.9	3.3	3.3	114.6	109.1
March		-2.8		107.4	108.8
April		0.9			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	88.7
1986	103.4	102.2	6.4	106.9	89.4
1987	107.4	102.6	6.2	149.5	90.0
1988	110.5	106.3	6.2	165.1	95.6
1989	114.2	111.4	5.6	219.5	97.7
1990	123.5	117.2	4.8	261.9	98.2
1991	130.5	117.9	4.2	297.9	95.1
1992	127.7	116.5	4.6	287.9	89.0
1993	122.3	109.2	6.1	229.0	95.0
1994	120.4	113.8	6.8	240.4	103.5
1995		114.2		267.8	100.7
2nd qtr.1995		1.7	6.8	276.3	101.7
3rd qtr.1995		-0.2		265.5	100.4
4th qtr.1995		-3.7		268.0	100.7
1st qtr.1996		-2.9		273.8	99.7
May 1995		3.0	6.8	277.2	102.9
June		0.6	6.8	272.2	101.7
July		1.0	6.8	270.5	100.9
August		-0.3		264.5	100.7
September		-1.3		261.3	100.4
October		-3.3		258.0	100.4
November		-2.8		261.3	100.6
December		-5.0		254.6	100.7
January 1996		0.4		264.6	100.7
February		-6.0		270.5	100.1
March		-2.9		286.3	99.7
April		-2.0		287.1	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	89.5
1986	102.4	101.1	10.4	107.0	95.6
1987	104.5	103.1	10.5	117.2	95.4
1988	107.9	107.3	10.0	135.3	100.2
1989	109.5	111.3	9.4	160.6	99.9
1990	110.4	112.8	8.9	163.2	95.1
1991	110.3	111.4	9.4	128.2	96.4
1992	110.5	110.0	10.4	109.5	95.0
1993	110.7	105.8	11.7	90.0	98.4
1994	110.7	110.0	12.3	104.1	101.5
1995	110.5	111.8	11.6		97.1
2nd qtr.1995	1.2	3.1	11.6		99.9
3rd qtr.1995	0.2	0.3	11.5		97.6
4th qtr.1995	-2.5	-2.1	11.6		97.1
1st qtr.1996	1.0	-0.2	11.8		99.6
May 1995	2.6	3.2	11.6		100.4
June	0.5	3.7	11.6		99.9
July	1.8	0.8	11.5		99.5
August	-0.3	0.8	11.5		98.9
September	-0.9	-0.6	11.5		97.6
October	-3.9	-1.5	11.6		97.1
November	0.4	-2.3	11.6		97.1
December	-4.0	-2.4	11.7		97.1
January 1996	0.2	-0.7	11.8		97.7
February	2.9	0.4	11.8		98.6
March	-0.2	-0.3	11.9		99.6
April					

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	88.3
1986	106.8	104.1	10.4	94.4
1987	112.1	106.8	10.9	96.1
1988	107.9	114.2	10.9	100.4
1989	116.8	118.7	10.9	98.5
1990	114.5	118.0	10.3	95.2
1991	110.9	116.9	9.8	97.4
1992	116.9	116.4	9.8	94.4
1993	114.1	113.0	10.2	101.2
1994	107.4	119.5	11.1	103.2
1995	102.3	127.2		101.5
2nd qtr.1995	-4.5	6.1	12.2	102.1
3rd qtr.1995	-3.4	5.8	12.1	102.6
4th qtr.1995	-7.8	4.7		101.5
1st qtr.1996		0.4		98.1
May 1995	-8.3	7.4	n.a.	101.8
June	-5.0	5.7	n.a.	102.1
July	-3.5	4.3	n.a.	102.9
August	-1.8	8.2	n.a.	103.1
September	-5.2	5.0	n.a.	102.6
October	-13.0	4.4	n.a.	101.7
November	0.9	4.3	n.a.	101.4
December	-10.6	5.6	n.a.	101.5
January 1996		0.9	n.a.	100.8
February		-0.4	n.a.	99.4
March		0.8	n.a.	98.1
April			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	90.2
1986	105.3	102.5	11.2	116.1	92.8
1987	110.6	106.5	10.3	141.0	96.5
1988	117.8	111.8	8.6	144.0	96.2
1989	120.1	114.0	7.2	124.3	94.6
1990	121.1	113.7	6.9	97.8	92.3
1991	119.4	109.5	8.8	68.6	95.3
1992	120.4	108.4	10.1	69.6	97.7
1993	123.9	111.5	10.4	76.5	104.6
1994	128.5	117.2	9.5	93.9	107.2
1995	129.9	120.0	8.7	107.8	105.4
2nd qtr.1995	1.4	2.3	8.8	106.4	106.7
3rd qtr.1995	0.5	1.6	8.7	108.2	106.0
4th qtr.1995	1.2	1.6	8.6	111.8	105.4
1st qtr.1996	2.2	1.0	8.4	111.6	105.9
May 1995	1.2	1.9	8.8	106.0	106.9
June	1.2	1.9	8.8	106.0	106.7
July	1.2	2.3	8.8	106.2	106.5
August	0.4	1.2	8.7	107.7	106.2
September	-0.1	1.3	8.7	113.9	106.0
October	0.2	0.9	8.7	112.0	105.7
November	1.6	2.1	8.6	112.8	105.4
December	1.7	1.8	8.5	110.6	105.4
January 1996	2.2	1.2	8.5	109.9	105.6
February	2.1	1.2	8.4	110.3	105.9
March	2.2	0.6	8.3	114.5	105.9
April	2.1			115.3	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national-government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Attacks put pressure on new Israeli PM

By Julian Ozanne in Jerusalem

Attacks against Israelis by Arab guerrillas in Lebanon and the West Bank have killed seven people and piled pressure on Mr Benjamin Netanyahu, incoming Israeli prime minister, who has promised to increase personal security.

The attacks, one by pro-Iranian Hizbollah guerrillas in Israeli-occupied southern Lebanon yesterday and the other by Palestinian extremists in the West Bank late on Sunday, sent strong signals to Mr Netanyahu about the potential for violence in the absence of an unfolding peace process embracing exchange of occupied land for peace.

The attacks coincided with an announcement from Egypt of an overwhelmingly positive response from Arab leaders to an invitation to a summit in Cairo on June 21 to co-ordinate a Middle East peace strategy to deal with Israel's new right-wing government.

The outgoing prime minister, Mr Shimon Peres, warned Hizbollah against escalating attacks in south Lebanon after its fighters killed five Israeli soldiers in the worst incident since the end of Israel's April offensive. "Israel will respond in the manner it deems appropriate, at the right time and place, and warns Hizbollah not to continue to heat up the area at the expense of Lebanese civilians," Mr Peres said after holding emergency talks with Mr Netanyahu.

Israeli officials said the Hizbollah attack in southern Lebanon tested a US-sponsored ceasefire agreement. They accused Syria, the dominant power in Lebanon, of giving the green light for the attack to warn Mr Netanyahu about the kind of future Israel might face if it turned away from the peace process.

Mr Haj Mahmoud Qoumati, a senior Hizbollah official, warned of further attacks and said Mr Netanyahu's policies would return the Middle East to confrontation.

The Hizbollah attack came shortly after Arab gunmen killed two Jewish settlers on Sunday near Hebron, the West Bank town which has been a flash point of Arab-Jewish violence. Mr Freih Abu Meidan, Palestinian justice minister, warned that the West Bank attack might be the first sign of growing violence following Mr Netanyahu's election. "Now expect the unexpected in the area," he said. "If Mr Netanyahu and his government turn their back on the peace process... expect more violence."

In Cairo Mr Amr Mousa, Egypt's foreign minister, said he expected 20 Arab leaders to attend the first full summit the Arabs have managed to arrange since 1990.

The growing signs, at least on the surface, of Arab unity caused alarm in Israel and the US, which has invested considerable resources in Middle East peacemaking.

S Africa 'should reassign unused mineral rights'

By Mark Ashurst in Johannesburg

South Africa could increase its coal exporting capacity by transferring the mineral rights for undeveloped coal reserves to new mining groups, according to a survey by the International Energy Agency published yesterday.

The survey will add to pressure from the ruling African National Congress for legislation enabling the rights to other undeveloped mineral reserves to be allocated to new companies.

"The principle is use it or lose it – and we want to do this for all mineral rights, not just coal," said Dr Paul Jourdan, special adviser at the Department of Trade and Industry.

"This has always been the policy of the ANC. Foreign investors have been saying they will not look at South Africa until we do this."

The most probable mechanism for encouraging the transfer was a tax on mineral rights that would be 100 per cent deductible in areas where prospecting was under way.

Mr David Hall, analyst at ING Baring, warned that such a tax should not be universally applied.

"There is a big difference between gold, where there is unlimited demand and the only factor is cost, and platinum, which is subject to demand-and-supply fundamentals. You can damage your own industry by thinking that you are going to control it."

The IEA, which is allied to the Organisation for Economic Co-operation and Development and monitors oil and energy market trends on behalf of western industrialised countries, also cautioned that introducing competition to the electricity industry or privatising state-owned utility Eskom within the next five years could frustrate the national electrification programme. The government plans 2.5m connections to the national grid by 2000, raising electrification from about a third to 72 per cent of the population.

But it urged the government to "seriously consider" privatising Soekor, the state-owned oil and gas exploration and prospecting company.

The survey recommended more stringent controls for the energy industry, but said the government did not have the capacity to implement a sophisticated regulatory structure. The tradition of self-regulation developed during the sanctions era, when energy suppliers aspired to be self-sufficient, was "in urgent need of strengthening and modification".

Bank for International Settlements AGM in Basle

BIS considering expansion

By Gillian Tett in Basle

Duisenberg: increasing co-operation

The Bank for International Settlements is considering inviting fast growing countries in Asia and Latin America to join its ranks, in what would be the first significant expansion of the group for 20 years.

The discussion in the group, which acts as an influential meeting point for the world's largest central banks, could affect about a dozen countries, including Singapore, Argentina and Mexico.

However, the suggestion has proved controversial within the BIS, which has 32 members at present, largely drawn from the European and western world.

In particular, some of the largest G7 countries are likely to put up stiff resistance, fearing that expanding membership too rapidly could threaten the group's informal atmosphere and sharply reduce the influence of existing members.

The debate in the BIS has been triggered by a recognition that the rapid growth of Asia is shifting the centre of economic gravity.

These changes have already provoked intense debate about expansion at the Organisation for Economic Co-operation and Development. The BIS is similarly aware that emerging markets are having a growing impact on financial markets. Lending to Asian countries last year, for example, reached record levels at $84.3bn, and was an important factor in the broader rebound in international banking activity.

The BIS has sought to cope with these trends by increasing the level of co-operation with these countries over the past year. With many of them present at the annual general meeting yesterday, Mr Wim Duisenberg, BIS president, said he hoped the process would continue.

However, some Asian countries accuse the BIS of remaining distinctly cautious over expansion.

The BIS, which was founded in 1930, has two main groups of members: G10 countries largely dominate the BIS board, but 22 other countries – including South Africa, Turkey and most east European nations – also own shares in the BIS and have voting rights.

'Feel bad' factor grips western world

BIS shows subtle change of tone by cautioning against both inflation and deflation

The western world is gripped by a lack of confidence and a "feel bad" factor that is unprecedented in recent economic history, the Bank for International Settlements said in its annual report yesterday.

While growth in the US remained steady and the recovery in Japan was gathering pace, consumption had been dampened by job insecurity and the need to trim fiscal deficits, it warned.

Central bankers now needed to consider the risks of falling prices as well as inflation in setting their monetary policy, it said. "Price stability has been reached or nearly reached in a large number of countries.

"The forces bearing on the price level... are now more balanced than they have been for some decades."

The report, issued as the world's central bankers gathered in Basle for the BIS annual general meeting, marks a change of tone for the group.

In recent years the BIS, which acts as a highly influential meeting point for the world's central banks, has emphasised the need to combat inflation at all costs, and limited its analysis of labour market problems.

But with central banks having been accused in some countries of curbing growth in their zeal to control inflation, the BIS emphasised that monetary policy could be both expansionary and restrictive – and called on policy makers to "resist both inflation and deflation".

This subtle change in tone may fuel market speculation that central banks might be slower to raise interest rates again in the next economic cycle. However, the BIS denied that it was encouraging lax monetary policy, while Mr Wim Duisenberg, BIS president, warned that the "continuing buoyancy of the US economy" might pose an inflation risk in the future.

Nevertheless, it admitted that some new deflationary factors were emerging in the world – namely increased global competition, wage flexibility and continuing attempts to cut fiscal deficits.

With these factors partly to blame for the "feel bad" problem, the BIS acknowledged that central bankers could do little themselves to boost sentiment. In the longer term, however, it argued that consumer confidence should rebound.

Although the timing of the upturn in Europe was still uncertain, growth elsewhere in the world was healthy and the world markets were unlikely to trigger any recessionary jolts.

In particular, low inflation meant that "the pattern of 1994" in the bond markets was unlikely to be repeated this year, Mr Duisenberg said. "Major financial markets have been relatively calm."

Total net financing through euronotes and international bonds reached an all time record of $313.2bn in 1995 – a 13 per cent increase on the previous year. International banking activity rebounded strongly in 1995, after dipping in 1994, the report said.

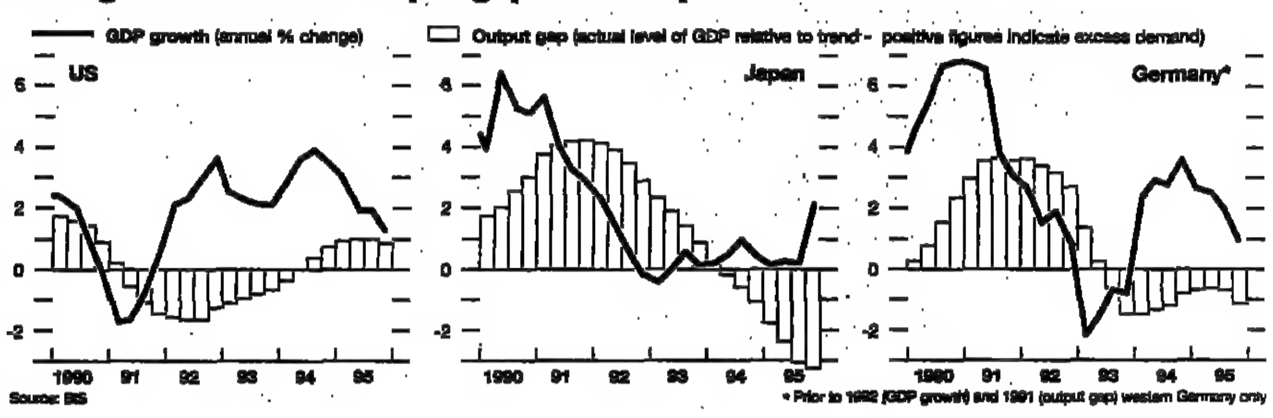
The financial system had weathered the 1994 Mexican crisis well but the BIS insisted that bankers still needed to step up their surveillance of the financial system and collect more information about the global derivatives market, which it recently valued last year at some $40,600bn.

It also warned the banking sector of "serious challenges" that would force widespread restructuring, mergers and job losses. Branch networks would probably shrink, many banks would be merged, and the total number of private banks operating would need to fall considerably.

Although Anglo-Saxon and Nordic countries had already sharply cut jobs, such countries as Japan, Germany and Italy had barely made any headway yet in trimming their staff – which implied that job cuts would be needed in those countries soon.

Gillian Tett

GDP growth and the output gap in the top three economies



Source: BIS

* Prior to 1992 (GDP growth) and 1991 (output gap) western Germany only

NEWS: WORLD TRADE

Consortium wants to persuade Beijing to become a partner in developing 'super jumbo'

Airbus hoping for Chinese role in A3XX

By Michael Skapinker, Aerospace Correspondent

Airbus Industrie intends to use its likely involvement in the development of a 100-seat Chinese jet to persuade China to become a partner in the A3XX, the European consortium's planned "super jumbo".

Airbus hopes to announce the launch of the 550-seat A3XX by the end of next year. The consortium says it needs the aircraft to counter the dominance which Boeing of the US has over the large aircraft market. Boeing plans to begin developing a 500-seat version of its 747-400 this year.

Airbus has said, however, that its project will only go ahead if it can find Asian countries prepared to share development costs. Executives of the four companies which own Airbus – Aérospatiale of France, Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain – have put the cost of developing the A3XX at $8bn.

Airbus officials believe the consortium's improving relations with China offer it the opportunity of persuading the Chinese to become both partners in and eventual customers for the A3XX.

Airbus earlier this year defeated Boeing to win a $1.5bn aircraft order from the Chinese, who decided to buy 30 Airbus A320s and three A340s. It was Airbus's first significant breakthrough in China, a market which has been dominated by Boeing.

It is Airbus's likely participation in the Chinese 100-seater, however, which European executives believe offers the best hope of involving China in the A3XX. The Chinese indicated in April that they were likely to award the contract to help develop the 100-seater to a consortium of European companies, rather than to Boeing. The 100-seater would be built in China using western technology.

Mr Zhu Yuli, head of Aviation Industries of China (Avic), signed an agreement to work together on the 100-seater with Aero International Regional (Air), a company owned by Aérospatiale, BAe and Alenia of Italy. The Chinese have said, however, that they would like Airbus to manage the project. They want Dasa, which is not a member of Air but which is a leading partner in Airbus, to be included in the 100-seat project.

Airbus officials have told the Chinese they would like to involve them in other projects, including the A3XX. They have told Chinese officials the A3XX is likely to generate far higher profit margins than the 100-seaters.

Power play raises stakes in chip trade

Guy de Jonquières on international manoeuvring over the world market for semiconductors

Electronics industry leaders often proclaim that the power of information technology is rendering national frontiers irrelevant. Yet their companies still find it hard to break free from national politics – particularly when vital business interests are at stake.

The gap between rhetoric and reality is illustrated by the intense international manoeuvring over arrangements for world trade in semiconductors. The issue has led to a complex power play – and open friction – between policymakers and chip manufacturers in the US, Japan and Europe.

The imbroglio has become enmeshed with a separate plan by the three powers to seek a World Trade Organisation agreement this year to free trade in IT products. That may be hard to achieve until they settle their differences over semiconductors.

Sir Leon Brittan, Europe's trade commissioner, recently complained that the planned IT agreement was "stuck" because of US policy on semiconductor trade. He has threatened not to eliminate EU semiconductor tariffs – a crucial element in the planned IT accord – unless European chipmakers are guaranteed fair access to other, particularly Japanese, markets.

The main source of contention is the future of the US-Japan semiconductor trade agreement, which expires in late July. Washington wants the accord renewed, but Tokyo is resisting. It says the deal amounts to "managed trade" because it sets numerical targets for foreign chip sales in Japan.

Sir Leon has attacked the agreement as discriminatory. EU officials argue that because it was concluded under threat of US trade sanctions, Japanese chip users have favoured US suppliers over European ones.

Some in the US industry believe the Japanese government's opposition to renewing the chip deal is softening. But other observers think the US is, in the end, more likely to give way.

Since the deal took effect in 1991, the US industry's share of the Japanese market has more than doubled to 19 per cent. With their worldwide order books bulging, US producers seem no longer to be pressing their government hard to take a tough line with Japan.

"Basically, the Japanese have won the argument over the bilateral agreement. They just have to sit there and do nothing," says an electronics industry lobbyist in Washington.

However, Japan does not seem to be taking things easy. At a meeting with European chipmakers last week, its industry proposed a World Semiconductor Council, which would promote co-operation between all the leading manufacturers, including those in South Korea and Taiwan.

The Japanese have suggested that the scheme cover areas including technical co-operation between chip users and suppliers, standards, environment, safety and copyright protection. They insist it should be based on free trade and open markets and should not involve governments.

The proposal marks a shift by Japanese manufacturers, which had reacted coolly to an earlier EU proposal for a less ambitious industrial collaboration arrangement. They suspected this was a smokescreen for European attempts to secure a guaranteed share of the Japanese market.

Their change in attitude appears to reflect the influence of Japan's Ministry of International Trade and Industry (Miti), which, with the European Commission, was closely involved in preparing last week's talks.

Miti officials believe multilateral co-operation could help deflect US trade pressure. Encouraging private sector co-operation would also give Japan's government another argument against foreign demands that it "organise" trade by intervening in the chip market.

But though broadly endorsed by the European companies, the proposal has been coolly received in the US. The US Semiconductor Industry Association does not rule out discussing it eventually, but says it is "a distraction" designed to frustrate settlement of US-Japan trade issues.

The US government and industry are also refusing to involve the Europeans in any talks with Japan until the EU scraps its semiconductor tariffs. But European chipmakers are reluctant to abandon their trade protection while the US refusal stands.

Some in the US industry believe the EU is looking for an excuse to keep its tariffs – the highest in the industrialised world – while trying to muscle in on the US-Japan agreement.

They and the Japanese industry argue that feeble marketing, not trade discrimination, are to blame for European chipmakers' meagre 1.5 per cent share of Japan's market, where Korean and Taiwanese producers have captured an 8 per cent share in the past five years.

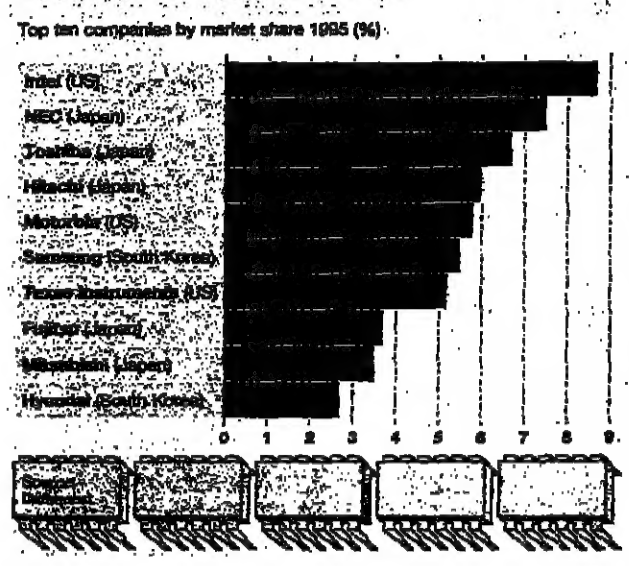
Some industry observers remain optimistic that these differences can be overcome, and a global IT agreement concluded.

"Something will be worked out. It's too soon to talk of breakdown," says Mr Greg Garcia of the American Electronics Association.

But the only certainty is that if the wrangle is to be sorted out, at least one of the protagonists will have to climb down.

The world of semiconductors

Top ten companies by market share 1995 (%)



Sakhalin I oil project to begin

By Robert Corzine

Exxon, the largest US oil company, says work is to begin soon on the $15bn Sakhalin I oil and natural gas project in Russia's Far East region.

The decision to start appraising the three offshore fields in the project was made despite the fact that Moscow still has to complete a legal framework for big international energy developments in Russia.

Exxon, which has a 30 per cent stake in the project – one of three planned in the area – yesterday said a $200m-$300m appraisal programme would begin this summer. It will include a seismic survey of the fields, thought to contain 2.5bn barrels of oil and 15,000bn cu ft of natural gas. One appraisal well will also be drilled this year.

Exxon said the Russian federal government and local authorities on Sakhalin Island had confirmed the terms of a previously negotiated production sharing agreement "are valid and enforceable".

A number of western energy projects in Russia have been put on hold until after next week's presidential elections. Some international companies have said they also want to see the final version of production sharing legislation, and in particular, provisions for the impartial arbitration of disputes, before committing billions of dollars to oil field development in Russia.

WORLD TRADE NEWS DIGEST

Australia plans freer skies

Australia's new federal government is to pursue a more liberal policy on air freight and charter flights, mainly to give exporters better access to Asia.

Mr John Sharp, transport minister, said new guidelines would aim at increasing the number of flights dedicated to freight. The government would seek bilateral deals with other countries and pursue a broader agreement through the Asia-Pacific Economic Co-operation (Apec) forum.

Possible initiatives were removal of restrictions on third country freight operations flying the Australian route, and a freeing-up of the freight-charter approval process, where the air services were likely to carry Australian exports.

Easier guidelines for passenger charter traffic outside the main cities should also help tourism in regional centres, he added. *Nikki Tait, Sydney*

Egyptair to buy seven jets

Egypt's national airline, EgyptAir, intends to buy four new Airbus jets and three Boeings after predictions of a big increase in profits this year, EgyptAir chairman Fahim Rayan said yesterday.

He said EgyptAir had ordered four Airbus 321s from the European company and had arranged a $300m loan from European banks to finance the deal. The aircraft were expected to be delivered in late 1997.

The state airline had also signed a $380m deal for three Boeing 777s to be delivered by the US manufacturer between May and August 1997.

EgyptAir expects a profit in the 1996-97 fiscal year totalling E£98.6m ($28.8m), up from E£30m the previous fiscal year, he said. *AFP, Cairo*

Carmakers eye Philippines

Fresh from failing to sway General Motors, the world's biggest carmaker, to locate its latest plant in the Philippines rather than Thailand, Ms Marita Jimenez, director for investments promotion at the country's Board of Investments, said GM, Ford and Chrysler were all thinking about making the Philippines the base for their automotive parts distribution operations.

Ms Jimenez said officials from the "big three" carmakers communicated their plans to a Philippine trade and investment mission on a recent US visit. She added the companies were also considering setting up local joint ventures to make car parts. The Philippine government has argued that low local costs and good communications mean the country offers advantages as a manufacturing base to service south-east Asia's booming car market. However, carmakers have been dissuaded by the small domestic car market *Haig Simonian, Motor Industry Correspondent*

Contracts

■ Tampella Power, the Finnish chemical recovery system supplier, has won a $70m contract to supply two recovery boilers to the RT Riau Andalan chemical pulp in Sumatra, Indonesia. *Andrew Taylor, Construction Correspondent*

■ Kimberly-Clark of the US will jointly make and market consumer products in Israel after signing an agreement with American Israeli Paper Mills, it said yesterday. Kimberly-Clark will invest some $50m to buy 49.8 per cent of Hogla, a wholly owned subsidiary of AIPM. The new venture will be called Hogla-Kimberly Ltd and will be managed jointly by Kimberly Clark and AIPM. *AFX, Dallas*

Warner in Virginia primary today

Challenge to moderate GOP senator

By Jurek Martin, US Editor, in Washington

The long war for the hearts and minds of the Republican party in Virginia goes into another battle today, in the state primary election over the future of incumbent US senator, Mr John Warner.

He is being challenged by Mr Jim Miller, the dour former budget director in President Ronald Reagan's White House, in a classic confrontation between religious and cultural conservatives on the one hand and establishment Republican moderates on the other.

The contest might be most significant in state terms but it has attracted more than its share of national political luminaries. Senator Bob Dole, the apparent Republican presidential nominee, has campaigned on behalf of Mr Warner, as has retired General Colin Powell.

Mr Miller has been able to field Mr Oliver North, of Iran-Contra notoriety, as well as Mr Ralph Reed and the Rev Pat Robertson of the Christian Coalition lobby. Mr North, now a rightwing talk show host on radio, defeated Mr Miller in the 1994 Republican senatorial primary before narrowly losing to Senator Chuck Robb in the general election for Virginia's other Senate seat.

The patrician Mr Warner, first elected in 1978 and once married to Elizabeth Taylor, the film star, has long shown public contempt for the Christian conservatives who have come to dominate grass-roots organisations in the state Republican party.

That was most evident in 1994, when he said Mr North's involvement in the Iran-Contra affair rendered him unfit for public office and then persuaded Mr Marshall Coleman, a former Republican lieutenant-governor, to run as an independent candidate. Mr Coleman divided the conservative vote and helped put Mr Robb back in the Senate.

Two weekends ago, Mr Warner refused to turn up at the state party convention which officially nominated Mr Miller. But he had previously rendered the convention academic by invoking state party laws giving preference to any candidate who demands a fully fledged primary election.

Mr North's speech at the convention, accusing Senator Warner of a "blasphemous" and "unconscionable" betrayal two years ago, instantly transformed the current contest into a re-run of 1994. Mr Miller, who had himself called Mr North an unelectable "fraud" in their primary race, embraced his old adversary and promised to be his "friend for life".

The outcome may depend on the turn-out, especially in conservative rural areas, where Mr Miller's support is strongest. Mr Warner has the clear edge in finance, and therefore in TV commercial exposure.

Even Mr Reed, who has recently distanced himself from some dogmatic Christian conservatives on the issue of abortion, conceded it was "extremely difficult" to upset an incumbent senator in a primary.

Virginians can expect some confusion in November over names if Senator Warner prevails today. Last week, the Democrats, having dispensed with a primary, held a convention and nominated another Mr Warner (Mark, a businessman) as their candidate.

Myrlie Evers-Williams, head of the board of the National Association for the Advancement of Colored People, visits the remains of a church in North Carolina at the weekend Picture: Reuter

Clergy complains about FBI over spate of arson at black churches

Plea to stem US 'tide of racism'

By Patti Waldmeir in Washington

Ministers of black US churches hit by a recent spate of arson attacks yesterday pleaded with administration officials to do more to stop what they called a "rising tide of racism" against black Americans. This came as US law enforcement officials announced they were holding three white men and a white juvenile in connection with recent burnings.

Two more churches were set ablaze on Sunday night in Texas. This took past 30 the number of the black places of worship burned, bombed or vandalised across the southern US since 1990, the pastors said. Fire officials investigating the Texan blazes said they believed these were "acts of local vandalism" unrelated to other southern arson attacks.

The black churchmen welcomed news of the arrests, but complained that the Federal Bureau of Investigation and the Treasury's Bureau of Alcohol, Tobacco and Firearms, the two federal entities charged with investigating the attacks, had not done enough to pursue white supremacist groups believed to be involved in the violence.

In separate meetings with Ms Janet Reno, attorney-general, and Mr Robert Rubin, Treasury secretary, they claimed that federal agents were ignoring a racist conspiracy against black churches, focusing instead on investigating the black pastors and congregations.

They said black clergymen had been forced to take polygraph tests and congregation members had been intimidated and harassed in an attempt to blame the violence on internal divisions at the churches.

After meeting the ministers, Mr Rubin said the administration was concerned about complaints that federal investigators had acted improperly. "I have no doubt there have been instances of insensitivity," he said, adding that the administration would work to win the trust of the black community.

"We will not be satisfied until [all] arson cases are solved and the perpetrators brought to justice," Mr Rubin said, echoing similar assurances at the weekend by President Bill Clinton and Ms Reno. Mr Clinton made church burning the subject of his weekly national radio address at the weekend, trying to demonstrate his concern for an issue which is raising high passion in the black community.

Reforming Cuba builds a banking system

It is still under the state, writes Pascal Fletcher, but is shaped by the island's changing financial needs

Discreetly, without fanfare, Cuba is putting its banking and financial sector through a modernising revolution.

The reforms stop short of privatisation but they are the biggest structural changes to the sector since the sweeping nationalisations of private and foreign banks that followed the 1959 revolution.

The establishment last month of a new Cuban bank, Banco Metropolitano, is the latest creation in a new configuration of national banking and finance institutions, many already in place. These include commercial and investment banks, a currency exchange network and a finance company.

This expanded banking structure is designed to serve the needs of the new-look Cuban economy, which now includes foreign companies and investment ventures. In addition, de-centralising reforms introduced since 1990 have created dozens of semi-autonomous state firms dealing in convertible currency, a fledgling private sector of self-employed workers and a whole new generation of co-operative farms.

All of these have generated demand for wider banking and financial skills. "The idea is that we should be able to offer the range of banking services which exist in most countries," said Mr José Julio Rodríguez, who until recently was a vice-president at the central bank, Banco Nacional de Cuba.

Now he heads the newly-created Grupo Nueva Banca, which will control, through a majority share in each institution, the new grouping of Cuban banks and companies. These are assuming many credit and commercial activities previously carried out by the central bank, as well as offering other services.

The main architect of the reforms is Cuba's urbane central bank president, Mr Francisco Soberón, who took over the BNC in January 1995 as part of a government reshuffle that brought in several younger, reform-minded technocrats. The bank restructuring has gone ahead regardless of tougher economic sanctions against Cuba introduced by Washington.

Mr Soberón describes the new constellation of institutions in the Grupo Nueva Banca as "non-state" but he declines to identify the precise share structure. However, given the communist government's undisguised distaste for privatisation, the new grouping can be safely assumed to be firmly under official control.

The restructuring also involves a slimming down of the previous all-purpose central bank that was a pillar of the state-run economy during Cuba's membership of the Soviet-led Comecon trading group.

The new-look BNC will concentrate, like most central banks, on issuing currency, helping implement economic policy and overseeing the banking system.

Banco Metropolitano is the reincarnation of the central bank's old International Branch 9078, which specialised in providing convertible currency services to the foreign diplomatic corps in Cuba, and, increasingly, to other overseas residents and foreign and Cuban companies.

Bank officials said Banco Metropolitano would offer currency and deposit account facilities to Cubans and foreigners, as well as other "private banking" services, such as the possibility of investing funds in overseas financial markets. The new bank's president is Mr Ernesto Medina, also formerly a senior BNC official.

Other new institutions already in place under the Grupo Nueva Banca umbrella include a commercial bank, the Banco Internacional de Comercio (Bicsa, established in 1994), the more recent Financiera Nacional (Finsa), which will offer mainly short-term financing to companies in Cuba, and a growing network of foreign exchange outlets run by Casas de Cambio (Cadeca).

A Cuban investment bank, Banco de Inversiones, is due to come into being next month. Its aim will be to support investment on the island by providing medium- and long-term financing for projects, as well as offering investment advice.

Among other entities planned is an agro-industrial and commercial bank, which will offer loans and other commercial services through branches across the island previously operated by the BNC. Corporate and personal loans will also be available from the 500 branches of the Banco Popular de Ahorro, an existing state savings bank set up in 1984.

Also planned are a company to administer assets and investments and, later, new insurance entities.

Mr Soberón, who brings to his job experience in international finance and shipping, is a believer in a cautious approach and in suiting the reforms to Cuba's needs.

Since taking office, he has travelled widely and met central bankers from across the world to learn from their experiences. He likes to quip that he gets offered "more advice than money".

Cuba's cautious approach is reflected in the government's attitude to foreign banks. Nearly a dozen overseas banks, mostly from Spain, Canada, the Netherlands and France, have representative offices in Cuba.

But the authorities, citing the need to develop and strengthen the Cuban banking sector first, have said they do not foresee the authorisation of full foreign bank branches in the near future.

Only five or six joint ventures by Cuban and foreign companies use property that was US-owned at the time of confiscation, Mr Ibrahim Ferradaz, Cuban foreign investment minister said yesterday, writes Stephen Fidler.

He was in London answering questions about the effect of the US Helms-Burton Act, which aims to punish foreign companies doing business in Cuba.

Unless the US president uses his power to waive a clause in the law, Helms-Burton allows US citizens to sue foreign companies "trafficking" in confiscated property in Cuba, regardless of when they became citizens. In practice, however, during a two-year period, only those who were US nationals at the time of the confiscation may sue. Mr Ferradaz said yesterday that many more ventures involved property confiscated from Cubans who later became US citizens.

Mr Ferradaz is the second Cuban official in two weeks to visit London. Last week, Vice-President Carlos Lage was there during a secretive week-long tour of European countries to discuss the US law.

Diplomats said Mr Lage's itinerary had included meetings in Germany with Mercedes-Benz, which has a growing business selling vehicle engines to Cuba, in Italy with the telephone company Stet, and in London at the Trade and Industry Department.

Mr Ferradaz, who will also visit Spain, said foreign investors were urging the Cuban government to accelerate foreign investment approvals. Officially, 230 such ventures have been approved.

Irish peace talks falter on first day

By John Kampfner, Chief Political Correspondent, in Belfast

The most concerted attempt at a new settlement for Ulster since the partition of Ireland in the 1920s began inauspiciously yesterday as pro-British unionists succeeded in delaying the appointment of an outside chairman and Sinn Féin scored a propaganda success by being excluded.

Mr John Major and Mr John Bruton, the two prime ministers, opened the all-party negotiations that are the culmination of years of effort with pleas to the participations to make the kind of compromises rarely seen in Northern Ireland's sectarian politics.

Yet, as the deadline for an IRA ceasefire passed, which would have allowed its political wing, Sinn Féin, to take its seat with the nine other parties, it had become clear that the initial proceedings inside the conference chamber would be overshadowed by events outside.

Arriving in a black taxi at the head of a cavalcade that had wound its way from the republican stronghold of the Falls Road to the seat of British rule at Stormont, Mr Gerry Adams, Sinn Féin president, found himself and colleagues locked out of the gates.

Mr Adams had shortly before been preceded by the Reverend Ian Paisley, leader of the hard-line Democratic Unionists, who had threatened to walk out of the talks if Mr George Mitchell, the former US senator, was confirmed as chairman.

Both governments made concerted attempts during the day to persuade Mr Paisley and the other unionist parties of Mr Mitchell's impartiality.

With little sign of a softening in the unionist position, the governments decided that as a contingency Sir Patrick Mayhew, Northern Ireland secretary in the British government, should take charge of the opening session. The talks were adjourned after five hours with little sign of a resolution to differences over Mr Mitchell's role. They will resume this morning.

Both prime ministers, whose pursuit of the negotiations has involved considerable political risk, appealed to the parties for a constructive approach. Mr Bruton said: "This is not simply a political exercise. This is an opportunity for all to put right a great wrong. That wrong was violence."

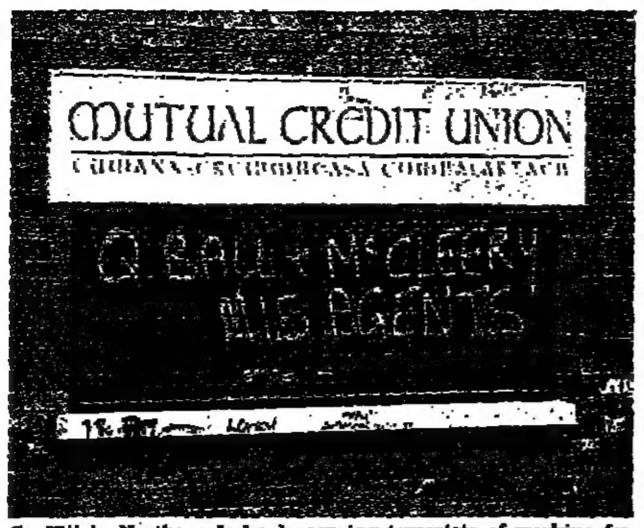
Mr Major said history would not forgive those who forsook the chance of forging a permanent and peaceful settlement. The people of the province, he said, were "sick and tired" of the entrenched positions of the past.

Mr Major dismissed suggestions that the talks would founder. He said all the initiatives of the past decade, from the Anglo-Irish agreement of 1985 that formed the basis of the bilateral approach to Ulster, to the announcement of the negotiations had been accompanied by predictions of failure. Had he pinched himself each time there had been a problem, "I would be black and blue from head to toe", Mr Major said.

Yet the theatrical scenes that accompanied Mr Adams's procession exceeded the worst expectations of the governments.

After being allowed from the gates of the Stormont estate to the entrance of Castle Buildings, where the talks were taking place, the Sinn Féin team found their way blocked again. A British government official informed them through a high fence that the only talks on offer were with government officials and the reasons for their exclusion from the main proceedings.

Mr Adams said Sinn Féin had come to take its rightful place at talks and not to protest. Denouncing the "little pantomime", he said party representatives would return today.



Graffiti in Northern Ireland accusing terrorists of working for the British intelligence service MI5 are a reminder that mutual hatred persists on the streets amid efforts to find peace. The wall scrawl pictured here reflects a brutal feud in the small and extreme Irish National Liberation Army in which a man was shot dead on Sunday. He was the fifth victim killed in a shooting war which has split the INLA. The feud has been raging on after a dispute about military tactics in the organisation last year.

Foreign minister wriggles through beef war barrage

By Lionel Barber in Luxembourg

Mr Malcolm Rikfind, the UK foreign secretary, was savaged in Luxembourg yesterday. Fourteen European ministerial colleagues, furious at British blocking tactics in the "beef war", launched an hour-long assault which would have left most ministers speechless.

Not Mr Rifkind. Minutes after his mugging, he appeared before nearly 100 journalists, insisting, with a familiar twinkle in his eye, that everything was going according to plan. With goodwill, a deal to end the crisis over the BSE disease looked possible in time for the European summit in Florence on June 21.

Since Mr John Major, the prime minister, announced the non co-operation policy last month, Mr Rifkind has become Britain's front-man sidelining Mr Douglas Hogg, the media-shy agriculture minister.

Mr Rifkind's goal is two-fold: to secure a deal for a step-by-step lifting of the EU's world-wide ban on British beef exports, but also to minimise the diplomatic damage to Britain's cause in Europe.

These twin policies require extraordinary contortions. In Luxembourg, Mr Rifkind was asked to explain how Britain could lift its block on an EU trade and political pact with Algeria but block similar deals with Mexico and Canada, a close Commonwealth ally; or how he could block an EU dialogue with Syria and still make time to see the country's foreign minister later in the afternoon. Somehow, he managed to wriggle off the hook.

A former lawyer, Mr Rifkind knows all about nuance. Last week, he insisted that a UK government eradication plan talking about the "cost" of slaughtering cattle had nothing to do with money; it was simply a reference to the "cost effectiveness" of slaughtering potentially innocent herds.

A week ago, Mr Rifkind also claimed that the British government had not been able to present a full BSE eradication plan to EU partners because top civil servants were too busy at home. Yesterday, he acknowledged that the government could have done better.

EU officials claim that Mr Rifkind is convinced that the non co-operation policy has concentrated European minds. Without the British boycott, the EU might have kicked the ban on all British beef exports, including derivatives such as gelatine, tallow, and bull semen, "into the long grass", one said.

This flies against the views of senior European Commission officials in Brussels who insist that the British boycott has needlessly complicated the beef crisis. Tellingly, Mr Rifkind conceded yesterday that "at some point" the EU would have lifted its ban on beef derivatives independent of the British work-to-rule.

In the next week or so, Mr Rifkind can count on the Italian presidency and the European Commission to help Britain reach a "framework" agreement on lifting the ban between the 15 heads of EU government, most likely at the Florence summit. But it will require more British flexibility.

Asked whether Britain was staging an orderly retreat in the beef war, the foreign secretary bristled. But that is what it looks like, whatever the ministerial gloss.

The government has ordered an investigation into a rendering plant involved in the cattle cull scheme following criticism of its practices by a leading medical consultant and local residents, Alison Maitland writes.

News of the investigation emerged as the UK government gave details of a £6m ($9.12m) project to recall potentially infected feed from thousands of farms by July 24 as part of the anti-BSE effort.

Concern about discharge from the Canterbury Mills rendering plant in Kent has come from Dr Alan Colchester, a neurologist who has been caring for five people from the county suffering from Creutzfeldt-Jakob disease, the human equivalent of BSE. The regulatory Environment Agency said the plant was operating within the law.

Pressure on reform for share issues rises

By David Wighton

The opposition Labour party is considering reform of shareholders' pre-emption rights amid concern in industry and government that they increase the cost of capital for UK companies compared with international competitors.

The pre-emption rules, which restrict companies' freedom to raise money by issuing new shares, are also set to come under the scrutiny of the government's deregulation task force, headed by Mr Francis Maude, a former Treasury minister in the governing Conservative party.

With the Office of Fair Trading already investigating the underwriting commissions charged by the City for rights issues, some bankers believe that the pressure for reform is irresistible.

City institutions have signalled willingness to see reform of the system of fixed underwriting commissions. But most are determined to defend pre-emption rights, which require companies to offer virtually any new shares issued for cash to existing investors.

The institutions say that pre-emption rights are essential to prevent a company's existing investors having their holdings diluted and the UK's rights issue system provides the cheapest and most reliable method of equity fund raising.

Mr Alistair Darling, Labour's spokesman on the City, said there were strong arguments on both sides and he had yet to reach a conclusion. "We are anxious that the cost of capital in this country is competitive, but we also want to encourage stronger links between shareholders and the companies they own," he said. Some institutions have said that pre-emption rights help foster the relationship.

Mr Maude, who is also a managing director of Morgan Stanley, the US investment bank, said the task force's investigation had been prompted by worries about UK companies' cost of capital.

'The eyes of managers were trained in the wrong direction; the real enemies were not beyond but within the gates'

Former World Service chief scorns restructuring at BBC

By Raymond Snoddy in London

Mr John Tusa, a former managing director of the BBC World Service, yesterday launched a violent attack on top management at the public-service corporation for what he called the "biggest act of bureaucratic vandalism against the World Service".

Mr Tusa, a respected broadcaster, was commenting on one of the most fundamental restructurings faced by the BBC in its 75-year history. The plan was produced by Mr John Birt, director general of the BBC, with the help of consultants from McKinsey, and launched last week.

"Once the World Service's main clashes were with foreign dictatorships and the [British] Foreign Office and Treasury in their more parsimonious moods," Mr Tusa wrote in the London daily, The Guardian. "But the eyes of the World Service managers . . . were trained in the wrong direction. The real enemies were not beyond the BBC; they were within the gates." Mr Tusa said he would never forgive those responsible or "understand those who permitted it to happen".

The plan will break down all traditional barriers between radio and television, and radio will have no separate directorate with its own managing director. The BBC will instead be broken into functional units: BBC Broadcast, responsible for commissioning all programmes for radio and television, and BBC Production, which will produce all programmes. BBC News will be responsible for all news output throughout the organisation, and, as now, there will be a resources division to provide all technical and support services.

The World Service will still be able to commission its own programmes but BBC News will be responsible for making them under contract. "Once external services headship was a stepping stone to the director generalship itself," Mr Tusa declared. "Now the World Service is relegated to the status of a sub-division of a division." He said the "conclusive downgrading" of the World Service was the climax of a three-year campaign against it.

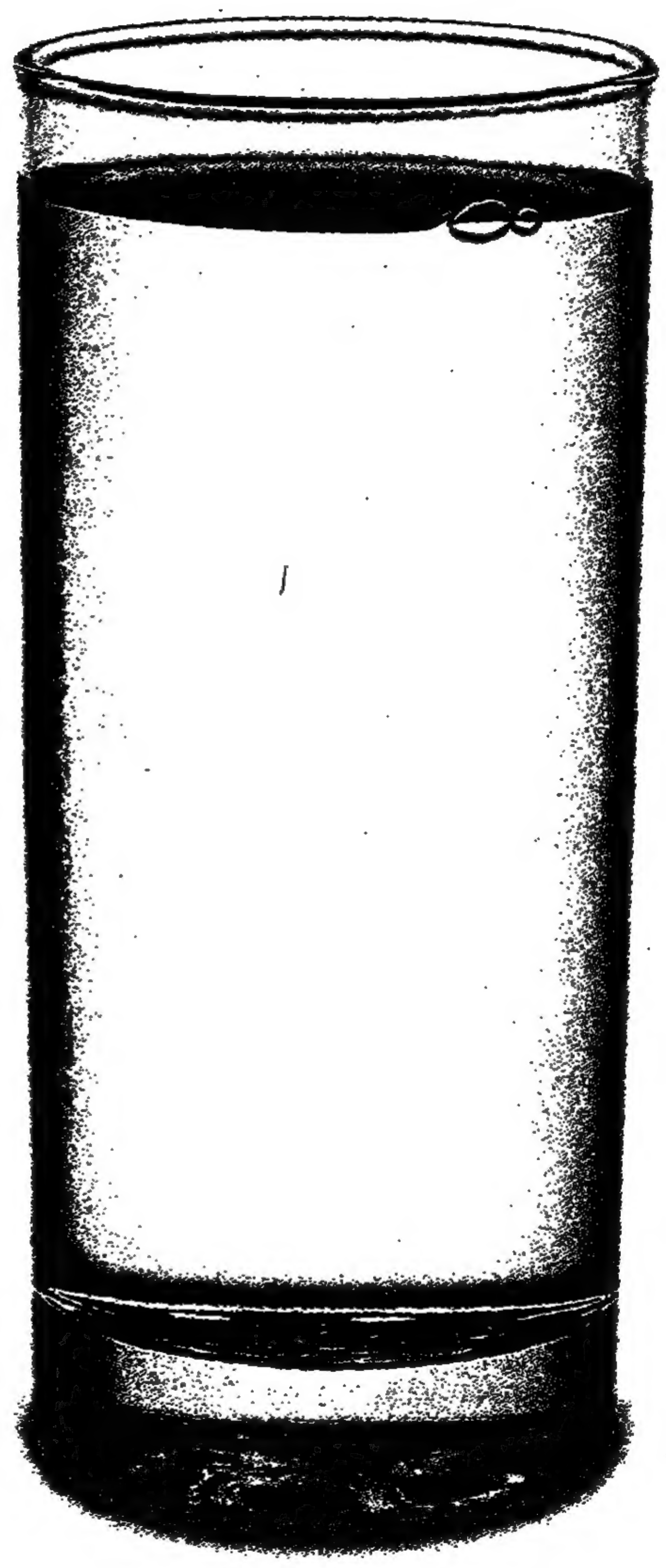
It emerged that Mr Birt consulted none of his senior colleagues in advance of the corporation restructuring. The only other person who knew of the plan was Ms Margaret Salmon, the BBC head of personnel. She was informed because of the many new appointments that flowed from the decisions. Mr Bob Phillis, deputy director general of the BBC and chairman of BBC Worldwide, the international and commercial operation of the corporation, was told only days before the formal announcement as were other members of the board of management.

Many staff in BBC Radio in particular are devasted by what they fear will be the inevitable downgrading of their medium. Although television like radio will no longer have its own directorate, radio staff nevertheless fear that they will lose the battle for resources.

Mr Mark Tully, a former long standing BBC correspondent in India, yesterday called for a national debate on the Birt plans and in particular the future of the World Service. "You cannot run the World Service without staff of its own from top to bottom who understand the difference between world broadcasting and domestic broadcasting," Mr Tully said.

SECOND-HAND TOBACCO SMOKE IN PERSPECTIVE

Life can't be free from risk. But you can decide which are the big ones.



Almost every day, it seems that one thing or another has been discovered to be some kind of health risk.

In one scientific study, even drinking ordinary chlorinated water was linked to cancer.

But as common sense suggests (and scientists confirm) not everything described statistically as a risk is a meaningful risk.

For example, lots of people have been persuaded that second-hand tobacco smoke is harmful.

Not surprising, perhaps.

After all, we recognise that smoking itself is a risk factor for certain human diseases and that some people find second-hand tobacco smoke unappealing and unpleasant.

But what about second-hand tobacco smoke? Is it really a meaningful health risk to people who've chosen not to smoke?

Not, we think, if you look at the evidence.

The United States Environmental Protection Agency recently conducted a major review of studies on the risks of second-hand tobacco smoke to non-smokers. These studies typically involve non-smokers living with smokers over a long period, such as 20 years.

And this review put the risk of lung cancer from second-hand tobacco smoke at a level well below the risk reported by other studies for many everyday items and activities.

And below, in fact, the risk to health that one other study reported for drinking chlorinated water.

As the table below shows, many everyday activities have been statistically associated at one time or another with apparent risks to health.

But reputable scientists say that weak associations aren't necessarily meaningful.

So there's no big campaign to persuade you to stop drinking chlorinated water.

Nor is there any sound justification for a campaign against second-hand tobacco smoke.

If you'd like to decide for yourself, please write to us at Philip Morris Europe S.A., c/o P.O. Box 107, 1000 AC Amsterdam, The Netherlands or fax us on 00 31 20 671 98 89.

We'll send you the evidence about second-hand smoke.

We believe *you'll find the case convincing.*

	Everyday Activities	Reported Relative Risk*	Reported Health Effect	Scientific Study Reference
Associated with additional risk	Diet highest in saturated fat	6.14	Lung cancer	Journal of the National Cancer Institute, Vol. 85, p.1906 (1993)
	Non-vegetarian v vegetarian diet	3.08	Heart disease	American Journal of Clinical Nutrition, Vol. 31, p. S191 (1978)
	Frequently cooking with rapeseed oil	2.80	Lung cancer	International Journal of Cancer, Vol. 40, p. 604 (1987)
Weak association with risk	Drinking 1-2 glasses of whole milk per day	1.62	Lung cancer	International Journal of Cancer, Vol. 43, p. 608 (1989)
	Eating one biscuit a day	1.49	Heart disease	Lancet, Vol. 341, p. 581 (1993)
	Drinking chlorinated water	1.38	Rectal cancer	American Journal of Public Health, Vol. 82, p. 955 (1992)
	Eating pepper frequently	1.30	Mortality	American Journal of Epidemiology, Vol. 119, p. 775 (1984)
	Exposure to second-hand tobacco smoke	1.19	Lung cancer	U.S. Environmental Protection Agency (1992)
Associated with reduced risk	High vegetable diet	0.37	Lung cancer	International Journal of Epidemiology, Vol. 25, Suppl.1, p. 32 (1996)
	High fruit diet	0.31	Lung cancer	American Journal of Epidemiology, Vol. 133, p. 683 (1991)

*Relative risk measures how much consuming, or being exposed to something, raises or lowers risk.

Philip Morris Europe S.A.

Second-hand tobacco smoke. Let's keep a sense of perspective.

Caution surrounds start of nuclear sell-off

By Stefan Wagstyl and Simon Holberton in London

The sale of British Energy, the nuclear power company, was launched by the government yesterday with a cautious prospectus suggesting that it would raise far less than the £2.6bn ($4bn) planned.

Drawing on the prospectus, City of London analysts estimated that the government may secure a total of only £2bn to £2.4bn from the sale and repayment of debt. The caution surrounding the offer reflects concern about possible future declines in electricity prices, the cost of decommissioning nuclear plants and their fuel, and the impact of a possible change in government on electricity regulation.

Mr Tim Eggar, the industry minister, declared the flotation a success and "a major milestone" in the government's privatisation programme. He added that 750,000 people had already registered their interest in the offer, which takes place next month.

But the opposition Labour party warned that a future Labour government would re-examine the company's regulatory framework, and said that the sale had been subsidised heavily by taxpayers.

While the prospectus did not give any figure for British Energy's stock market value, it revealed that the company was forecasting a £96m dividend in the year to March 1997, its first year as a privatised company.

City analysts said that the shares were most unlikely to trade at a yield of below 7 per cent, giving a stock market value of just over £1.7bn. As the prospectus says, the government is also loading the company with debts of £700m, which would give total proceeds of £2.4bn.

With a bigger yield, to take account of the risks many investors attach to a nuclear business, the stock market value could fall to nearly £1.3bn, which would give total proceeds of just over £2bn.

Most unusually for a new issue, British Energy is coming to market with a loss for its last year – £155m pre-tax for the period to the end of March, after accounting for the effects of capital reorganisation. It also warns of a likely further loss in the current year. But it says that although it will not cover its dividend from earnings it will have sufficient cashflow to fund the payments, which will amount to 13.7p a share, net.

There will be an offer for British retail investors and an international offer aimed at institutions. The price will be decided on the level of interest in the international offer.

DETAILS OF THE FLOTATION:

- The government is selling 700m shares, its total holding.
- Up to 335m shares are being reserved for British retail investors, who will be sold shares at a discount.
- The remaining stock, up to 610m shares, will be offered globally, and no discount will apply. The minimum investment will be 300 shares.
- The first instalment in the UK public offer will be 100 pence a share with a minimum investment of £300 for 300 shares.

The second will be be payable on September 16 1997.

THE EXPECTED TIMETABLE:

June 26 - The discount for the UK public offer will be set and the full prospectus published.
July 4 - Bookbuilding begins for the international offer.
July 10 - Close of UK public offer.
July 12 - Close of international offer.
July 15 - Pricing and allocation of shares to be announced.
July 15 - Dealings to start.

Lex, Page 16

Elf and BP to open big plastics plant in Scotland

By Jenny Luesby in London

Appryl, a joint venture between oil producers Elf Aquitaine and BP, will today announce a £100m ($154m) investment in Grangemouth, Scotland, to build a polypropylene plant that will create up to 200 jobs.

Elf, which has a 51 per cent stake in the joint venture, said grant aid had been instrumental in the decision to invest in Grangemouth. The Scottish agencies would not reveal how much aid was involved, but confirmed that the investment had been won in competition with a site in the Netherlands. Construction of the Scottish plant will begin next year, with completion due in 1999. It will produce up to 300,000 tonnes a year of polypropylene, the tough plastic used to make car bumpers and garden furniture.

The $22bn world market for polypropylene is growing at more than 5 per cent a year and has attracted several investments recently. Producers such as Amoco, Dow, BASF, DSM and Borealis plan to add 3m tonnes of capacity in Europe in two years.

However, Mr Jacques Puechal, chairman of Elf Atochem, the chemicals arm of Elf Aquitaine, said he was unconcerned. Appryl, which already produces 400,000 tonnes of polypropylene a year at two sites in France, was more efficient than three-quarters of its competitors, he said.

In addition, the UK market was poorly serviced. It consumed nearly 700,000 tonnes a year of polypropylene, but 560,000 tonnes of this was imported. The Appryl plant would save Britain £200m a year in imports, he said.

The plant will process propylene already produced at Grangemouth by BP, but currently shipped for export.

BP has said it aims to make Grangemouth Europe's largest petrochemicals complex. It has invested £800m at the site in the past five years, and management consultants Pieda estimate that 3.2 per cent of people employed in Scotland now depend on the group's activities in some way.

The British government's Department of Trade and Industry is keen to attract chemical industry investment, particularly to Teesside in north-east England. But analysts suggest that south-east Scotland, linked to the Forties oil and gas pipeline system, is a more natural choice.

'Poaching' claim rejected by bank

Deutsche Morgan Grenfell, the investment banking arm of Germany's Deutsche Bank, struck back yesterday after rival ING Barings sued over the alleged poaching of its Latin American equities team, our Banking Correspondent writes.

"The ING Barings case is totally without merit and we shall defend our actions vigorously," DMG said, while noting that it had not yet seen the suit.

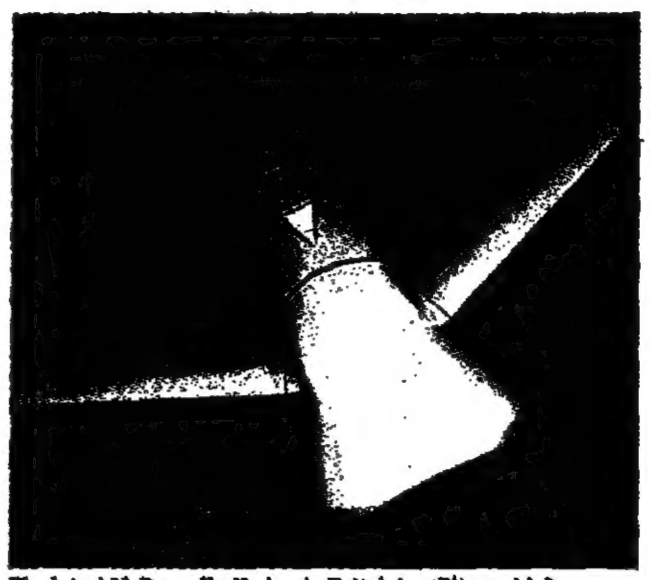
The dispute arose after DMG hired more than 50 analysts, sales staff and traders from ING Barings in New York, Mexico, Chile, Brazil and Argentina.

The raid has taken DMG from a niche role to one of the top three traders in Latin American equities. Mr Hessel Lindenbergh, chief executive of ING Barings, has written a letter of protest to Mr Hilmar Kopper, head of DMG's parent.

DMG has been at the centre of a furore in London over the rise in investment banking salaries. Competitors complain that, in its headlong rush to build up its business, the German-owned bank has offered recruits double their previous year's pay package guaranteed for three years. DMG contests the allegations.

Missile bid is upgraded by McDonnell Douglas

By Bernard Gray, Defence Correspondent



The latest McDonnell offering to Britain's military chiefs

McDonnell Douglas has offered the UK Ministry of Defence a newly developed radar-avoiding "stealth" weapon in an effort to win a £650m ($990m) competition to supply Britain with cruise missiles. The weapons will be fired from fighter aircraft more than 300 km from their targets and are designed to hit command centres and communications bases with accuracy.

Previously McDonnell had offered the ministry a conventional cruise missile based on the existing Harpoon anti-ship weapon. However, the existing design was trailing behind other competitors, leading the US aerospace giant to repackage the missile's electronics and warhead inside a stealthy airframe.

A stealthy design is harder for defences to detect, which gives a missile a greater chance of surviving its flight.

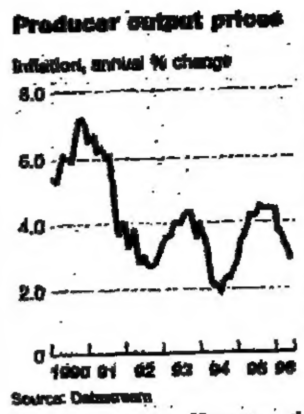
The move reflects increasingly tough competition for the UK cruise missile order. There are two main US contenders, the McDonnell GrandSlam and Hughes AirHawk. Hughes has held the technical lead in US offerings, but McDonnell has lined up a larger list of UK companies – including GEC, Lucas Aerospace and Hunting Engineering – which are contributing high technology work to its offer.

From Europe, British Aerospace and Matra have offered the Storm Shadow development of the French Apache missile, while Daimler-Benz Aerospace has proposed an entirely new missile. As well as the technical merits of each weapon, the UK defence ministry has examined how much of the technology will be openly available to the UK in each case, and how the order might help rationalise the fragmented European missile industry.

The BAe Matra Storm Shadow is currently the front runner for the competition. While expensive, it is favourite because it would cement the joint venture in missiles between the two companies. France had been insisting on the UK ordering the Storm Shadow before approving the proposed merger of BAe and Matra. While that condition has been dropped, France is continuing to press for the order.

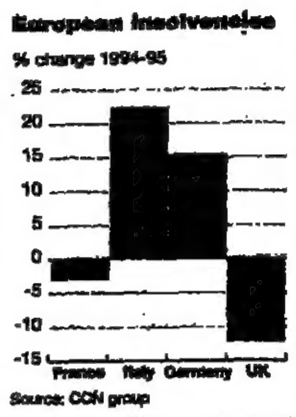
UK NEWS DIGEST

Manufacturers cut prices



Industry's fuel and raw material costs fell sharply last month, prompting manufacturers to cut prices for the first time in almost four years. Falling oil prices meant that industry's input costs dropped by a seasonally adjusted 0.5 per cent in May. This more than halved the annual rate of increase from 2.4 per cent to 1 per cent. The unexpectedly subdued costs came as welcome news to Mr Kenneth Clarke, the chancellor of the exchequer, who last week justified his controversial quarter-point cut in UK interest rates by pointing to an easing of cost pressures. However, doubts about the wisdom of the rate cut were raised by a separate survey from the British Retail Consortium suggesting that consumer spending continued accelerating in May. *Robert Chote, Economics Editor*

Insolvencies decline sharply

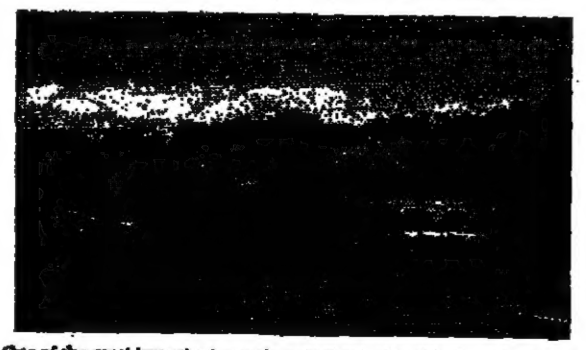


Britain experienced a much bigger rate of fall in company insolvencies in the past two years than western Europe as a whole, according to research from CCN, the Nottingham-based credit and business information group. Corporate collapses in the UK fell 25.6 per cent between 1993 and last year. The comparable figure for the big west European economies was just 7.75 per cent. However, the 43,800 UK insolvencies last year represented more than a fifth of the European total. The high figure is explained by the relative ease with which companies in the UK can be liquidated. German collapses in the two-year period rose 41.8 per cent to 28,800 – two thirds of the UK figure even though Germany's economy is considerably bigger. In France corporate insolvencies also fell between 1993 and last year, by 9.4 per cent to 54,800. However the figure for France last year was the highest for all west European economies. *Peter Marsh, London*

Names demand meeting

LLOYD'S

Hardline Lloyd's of London Names have called an extraordinary general meeting to demand substantial changes in the insurance market's recovery plan, due to be implemented this summer. The move is part of last-minute attempts to improve the benefits available under the plan. The EGM has been called by an unlikely alliance of militant litigating Names – and others who have paid all their losses and are still underwriting but nevertheless feel the deal is inadequate. The meeting will coincide with Lloyd's annual meeting on July 15. Even if passed, the motions will not be binding, but will give Lloyd's an additional headache. *Ralph Atkins, Insurance Correspondent*



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BEHIND THE NET

"Infoterrorists" tap into computer networks to cut off electricity supplies in New York and Los Angeles. Hackers disrupt communications among US military bases. Tax and social security records are mysteriously changed while electronic fund transfers between banks go astray.

These are not scenarios from the script of a Hollywood cyber-flick. They are the basis of serious "war game" exercises conducted by western military, law enforcement and intelligence officials as they explore the potential risks of "information warfare" and develop counter-measures.

Twenty-six years after the US Defence Department created the Internet as a communications system invulnerable even to a nuclear attack, the global web of computer networks is itself now viewed as a national security risk.

The increasing dependency of government agencies and businesses on networks of computers that support critical functions such as banking, communications, air traffic control and law enforcement, together with the rapid growth of international access to the Internet, has created new and substantial vulnerabilities, senior US intelligence officials maintain.

Until recently, the concept of "information warfare" has been widely dismissed as alarmist rhetoric and viewed as "post Cold War hysteria" generated by those with an interest in maintaining the vast US intelligence apparatus. But the potential use of computer networks to undermine public confidence, disrupt essential services, play havoc with the economy or damage military capabilities is now being taken seriously in Washington.

Potential adversaries of the US in 120 countries are gathering information via the Internet about US Defence Department computer networks and developing methods of launching untraceable attacks to disable or compromise them, according to the US National Security Agency.

"We are rapidly getting to the point where we could conduct warfare by dumping the economic affairs of a nation [via computer networks]," US Senator John Glenn said last week in response to testimony before a hearing on cyber security.

A series of hearings of the US Senate government affairs subcommittee on investigations is shedding new light on the secretive world of cyberspies and hackers and is expanding public debate about regulation and policing of the Internet.

According to computer security experts, the Internet has increased security risks not only because it links tens of thousands of computers but also because it has spawned widespread knowledge and interest in computer communications. By establishing standards for computer links, the Internet has provided would-be computer attackers with a standard target.

Banks' computer networks which are used to transfer billions of dollars every day have, for example, typically been based on a mix of old and new communications protocols and computer operating systems. Knowledge of how these networks operate has been limited to a few technical experts, most of them bank employees. This is "security through obscurity" says the chief technology officer of one large US bank.

But as banks convert their systems to modern Internet standards, the number of hackers capable of attacking these networks is expanding.

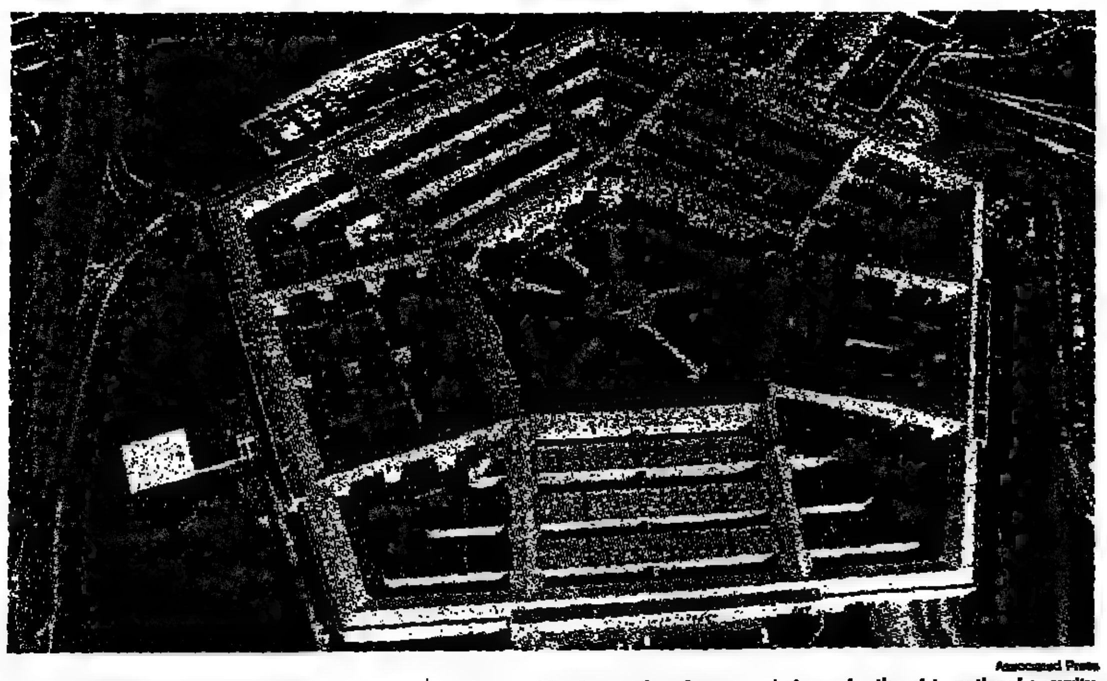
The potential for disaster may be huge. The vast majority of transactions conducted by banks now flow through computer networks. By one estimate, more than $2,000bn (£1,315bn) is moved via international wire transfers every day.

Similarly, the US air traffic control system is based on outdated – and sometimes unreliable – computers. This, however, makes them relatively invulnerable to intrusion. When the Federal Aviation Administration upgrades the systems, as planned, "they will become more vulnerable", says Dan Gelber, counsel to the Senate subcommittee, who led an eight-month investigation of computer security issues.

Yet the scope of possible threats posed by computer attacks remains difficult to measure, the Senate staff found. Even within most US government departments there are few reports of computer break-ins and therefore few records of how often computer networks are attacked and to what effect, says Gelber.

Data from a report published last month by the General Accounting Office, the investigative agency of the US Congress, suggests that Pentagon computers are a frequent target of hackers. "Hackers have stolen and destroyed sensitive data and software. They have installed 'back doors' into computer systems which allow them to surreptitiously regain entry . . . They have crashed entire systems and networks," says Jack Brock, a GAO director. "At a minimum these attacks are a multimillion-dollar nuisance to Defence. At worst, they are a serious threat to national security."

Defence Department computers containing non-classified but sensitive data were attacked approximately 250,000 times last year according to the Defence Information Systems Agency, a Pentagon computer security force. In an estimated 160,000 of these incidents, hackers succeeded in penetrating the computers. DISA performs "Red Teaming" attacks on Defence Department computers, using hacker techniques, to test their vulnerability. Of 38,000 attacks conducted over the past three years, 65 per cent were successful. But only one out of every 150 successful attacks was detected and reported.



Associated Press

Hackers' target: raids on computers at the US Pentagon are at best a costly nuisance and at worst a threat to national security

Washington is worried that dependence on computers may become a security threat, says **Louise Kehoe**

US squares up to cyberterrorists

Assessing the risks of hacking in the corporate arena is even more difficult, largely because the attacks are almost always undetected and because companies are reluctant to admit that they have been victims of computer break-ins.

A survey conducted by a few leading US computer security consultancies found losses of $800m worldwide last year among clients in the banking and telecommunications industries, with half the losses in the US.

Yet FBI records show only one incident in which a US bank lost money due to a computer intrusion – the much publicised 1994 attack on Citibank's cash management network by Russian hackers who are alleged to have stolen about $400,000.

The lack of solid evidence of computer security breaches presents a tricky problem for US lawmakers. "Without reliable threat assessment data we can neither conduct meaningful risk management, nor structure a coherent national response to this issue," says Senator Sam Nunn, the ranking minority member of the investigations subcommittee, who initiated the current hearings.

There is mounting pressure on Congress to strike a new balance between the rights of individuals and companies to maintain privacy versus national security concerns.

This promises to be a fractious debate. The Clinton administration is already in conflict with software producers who want relaxation of export controls on encryption software. US intelligence agencies want to be able to conduct "wiretaps" on computer communications to catch criminals and terrorists, while businesses say they need encryption to protect electronic commerce.

Encryption may be just one of many battlegrounds – others include: proposals for mandatory reporting of corporate computer intrusions and for exceptions to US laws that prohibit intelligence agencies from snooping on domestic communications; the forthcoming ruling by US courts on free speech on the Internet, in response to laws aimed at stopping distribution of pornographic material; and possible limits on information that marketers may gather and use about children who surf the Internet. Also, the Clinton administration is planning a rapid-response team to take charge in the event of a cyberterrorist attack.

The net result may be a taming of the "Wild West" culture of the Internet. But it is not certain whether such measures will improve security or simply create new challenges for determined hackers.

Previous articles in this series on the Internet appeared on April 6 and May 7.

Green light on the Internet

Tom Foremski reports on new software to reduce traffic jams

The trouble with surfing on the Internet is that it can take a long time to get to the information you want. Once you find a web site, you often have to click through several levels to find the web page you are looking for.

In a bid to make web surfing more efficient, California-based NetCarta says it has come up with a unique product that can cut the time users spend on-line and allow them to find the web pages they want more quickly.

NetCarta's CyberPilot Pro uses maps of web sites that users can browse through off-line and then connect directly to web pages of interest.

It is an example of a wave of second-generation Internet software that helps users find information, reducing traffic jams on the Net. These products include off-line web browsers that automatically download web pages for users to view at a later time. Examples of off-line web browsers are FreeLoader from the US company of the same name and WebWhacker from Texas-based ForeFront Group.

"CyberPilot Pro is a great way to surf the net," says Laurent Seraphin, a project manager at US software developer Softway. "Instead of 20 to 30 clicks to get where you want to go, I can see my destination on a NetCarta map. It is a far more efficient way of surfing and saves me a lot of time."

CyberPilot Pro is a Windows 95-based program that creates a map of a web site. It lists what kind of documents are available: text, graphics, audio and video files on a web site. Clicking on part of the map activates the user's web browser, such as Netscape Navigator, and takes the user directly to that web page.

"Internet users can save a lot of time because they get to the web page they want much more quickly. If you spend an hour on the Internet per day you can save 30 to 50 minutes," claims Tom Tansy, a co-founder of NetCarta.

A key feature of CyberPilot Pro is the ability to unleash a personal "spider" on to a web site. Spiders are automatic programs used by the large Internet search services such as InfoSeek, AltaVista and Lycos. They roam the Internet, seeking out web sites and cataloging everything they find. That catalogue is then included in a database that helps Internet users find topics of interest.

"We're the first company to come out with a personal spider that is well behaved and obeys all the robot protocols, and makes it difficult for the end user to create mischief on the Internet," says Tansy.

But spiders are not popular among web masters, who complain that there are already too many roaming the Internet. "The mischief that could be caused is that somebody could unleash a spider on a site and bring it to its knees potentially, by tying up access. So we've gone to great lengths to make sure that people cannot do that," says Tansy.

Web masters can prevent a CyberPilot Pro spider from cataloging their web site by posting a NetCarta WebMap. When a CyberPilot Pro spider finds a WebMap, it suspends its operation and downloads the map.

CyberPilot Pro was created as a spin-off from NetCarta's web site development tools. "When we were showing our web tools last year, some people pointed out that it would be a great way to surf the Internet and that's how CyberPilot Pro was developed," says Tansy.

CyberPilot Pro is available as a free evaluation version from NetCarta's web site at http:/www.netcarta.com. Users will be asked to pay $99 (£65) if they want to continue using the program. A Macintosh version will be available by mid-year.

With Internet users accustomed to free applications, such as the Netscape Navigator and Microsoft Explorer web browsers, will they pay for CyberPilot Pro? Tansy thinks they will: "Serious users, people that have serious jobs to do, absolutely. Otherwise how are we to stay in business?"

ARTS

The banal writ larger than life

William Packer reviews the work of Claes Oldenburg

What Claes Oldenburg says of himself and his work could mean anything: *"I am for an art that imitates the human, that is comic ... or violent, or whatever is necessary."* Do artists always know what they are talking about? No more than the rest of us, I suppose, but whatever the case here, this one certainly takes himself seriously.

He calls his current retrospective an anthology, which in the dictionary is given in its primary meaning as "a collection of the flowers of verse, i.e. small choice poems, especially epigrams ...". These visual epigrams fill the Hayward. The catalogue has 575 pages, is nearly two inches thick, as big as breeze-block and weighs a ton. And it contains long critical analyses by assorted scholars.

"The object feels. This is the great discovery that Claes Oldenburg has introduced to Modern Art", declares Germano Celant. "These new feeling objects, presented as art, can no longer be understood as detached and impersonal – rather, they have been imbued with sensuality and sexuality ..." Mark Rosenthal tells how Oldenburg once hired a group of gravediggers to dig a hole six foot by three, that was later filled in. "Entitled 'Placid Civil Monument', the simple geometry of the empty rectangular hole makes for a powerful formal statement, one that repeats Oldenburg's anti-war sentiments ... Not surprising for Oldenburg, the hole in the ground has a sexual identity too ..." We learn that he "felt great excitement at the moment of first incision of the shovel."

Oldenburg himself offers occasional comments on particular works. "I had found a way of painting the surface by dabbing and dribbling diluted black casein paint along the spine and sides of a piece. Drops placed on the spine flowed to one side or the other ..."

It is easy to mock them thus at random, but do these people lack all sense of irony? I'm afraid they do. The pity is that much of the work itself, especially of recent years, has an intuitive wit and life to it that belies the heavy-handed justification.

Oldenburg is now in his later sixties. Never a brilliant draughtsman to judge by the weak self-portrait that opens the show, he first established himself with performance art, which was the avant-garde currency of the late 1950s and to which he still returns from time to time. From all the prop and costume-making and improvising with materials that went with it, it was a small step to the making of objects independent of performance, that yet drew similarly upon sources in popular culture and domestic life for their imagery.

It was a step even so that placed him immediately at the centre of the American Pop-Art stage, where he has remained its definitive sculptor ever since. His trick was simply to take an everyday object – wash-basin, typewriter, dog-end, lavatory-pan – and at once to inflate its scale and change its physical material. With his sagging and flaccid objects, he achieved a genuine if momentary and fashionable *frisson*. A "Soft Toilet" of vinyl and kapok, a canvas "Baseball Bat": here was not so much the Shock of the New as of the Banal.

These things of the 1960s now seem rather unpleasant in themselves and horribly dated, obvious and repetitive in the visual point they are making, arbitrary in their form as they flop or hang. Others are crude in the paint on their plaster or varnished paper surfaces, like nothing so much as discarded props for last term's Christmas Pantomime.

Had Oldenburg remained, as so many of his Pop-Art peers remained, stuck with his single idea and its varied demonstration, he would now be, like them, no more than a specimen fixed in the quivering aspic of recent art history. But there has proved to be rather more to him than that. He has indeed kept consistently to his imagery of banality, and for as long as the work was constrained by the limitations of the gallery, no matter how large the particular statement, it could only remain in a sense conceptual, a matter of proposals or projects. The commitment was not yet to the work as it was, and there were only the drawings or collages to show what it might be.

But in the mid-1970s he took his chance to move out of the gallery into the real world. Thereafter, realised on a truly architectural scale, the work became something else altogether, as diverting as ever but now properly serious. For it is all very well to propose a bottle as high as a house, a clothes-peg tower, a pair of binoculars for an office block, or a giant shuttlecock in the park, but it is quite another thing to bring it off.

And it must be properly made, the materials appropriate and safe, and the image adjusted, moderated and abstracted to accord with the greatly inflated scale. Certain judgments have to be made, that begin to shift the image away from merely literal suggestion towards the truly metaphorical.

In short, it becomes something rather more than the mere demonstration of a clever and amusing idea. It becomes Art – and by now there are 27 such things on public sites around the world.

Claes Oldenburg – an Anthology: Hayward Gallery, South Bank SE1, until August 18. Sponsored by GTECH.

Work realised on a truly architectural scale: Claes Oldenburg's 'Mistos' ('Match Cover') in Barcelona

Opera/**Andrew Clark**

An artificial 'Onegin'

Has Graham Vick become too clever for his own good? The question crops up again and again in *Yevgeny Onegin*, which returned to Glyndebourne on a wave of midsummer heat on Friday. Vick's treatment of Tchaikovsky's "lyrical scenes" was much praised in 1994, when it was the first production designed for the larger theatre. This revival, directed by Caroline Sharman with virtually the same cast, wears extremely thin.

Vick turns to Pushkin for inspiration, as Tchaikovsky himself did. But he makes the mistake of viewing the whole opera through the Byronic-ironic lens with which Pushkin captured the artificial lifestyles of his time. Every scene, every character is presented at one remove, with a pedestal-like beauty that invites us to marvel at Vick's cloying artfulness rather than the eloquence of Tchaikovsky's dramatic vision.

The worst example is the St Petersburg ball, seen through the eyes of posturing society marionettes and chopped up by much to-ing and fro-ing of curtains. Many of Vick's other *idées* are similarly contrived. Tatyana dowses herself with water at the end of her Letter Scene, a moment of pure bathos to crown one of the most inspired fragments of operatic literature; and although the final rejection scene neatly mirrors its earlier counterpart, with Tatyana and Onegin back-to-back on chairs diagonally apart, it misses that crucial sense of love-and-despair with which the opera should resonate. This is all too symptomatic of a slow, uninvolving performance.

Nonetheless, there are passing pleasures – notably the Act 2 party, which starts and ends with Tatyana slumped, doll-like, out of sight of the merry-makers, and swirls into life with a wealth of eager choreography. Vick also deserves credit for allowing the music to tell the story of the duel. Here, as elsewhere, Richard Hudson's beige sets are a model of intelligently-lit simplicity.

Fêted for his conducting of *The Queen of Spades* last summer, Gennadi Rozhdestvensky returns with a matter-of-fact, business-as-Bolshoi *Onegin*, in which the music is largely left to play itself. None of the voices comes across with much bloom, but the singers look their parts. In the case of Wojciech Drabowicz's Onegin, period looks are not enough: he radiates neither condescension nor desperation. There is more flesh-and-blood in Elena Prokina's Tatyana, who develops in fits and starts in the Letter Scene and offers some rapturously soft singing. Martin Thompson's Lensky acts well and sings tastefully, despite the lack of a ringing top, while Frode Olsen makes a handsome if vocally unexceptional Gremin. Sarah Connolly is the elegant Larina; the Olga and Filippyevna are disappointing.

Sponsored by Lehman Brothers.

Theatre/**Ian Shuttleworth**

Beethoven's Tenth

At one point in Peter Ustinov's play Ludwig van Beethoven, having somehow returned to the modern world, offers a critique of a young composer's symphonies and dismisses them as shallow and insipid. It is a cheap shot to turn the same words upon *Beethoven's Tenth*, but unfortunately it also happens to be true.

Ustinov himself plays the German maestro and is inimitably Ustinov, with all those vocal and physical quirks which he has woven into his style both as actor and raconteur – the only comparison I can think of would be Orson Welles trying to impersonate James Stewart. However, the present-day music critic in whose household the great man suddenly materialises also speaks in finely termed Ustinovian sentences. He is the sort of man who, when delivering what passes with him for a heart-to-heart speech to his composer son, can casually include the phrase "it is indeed deeply regretable ...". Decades of pomposity have accrued upon Stephen Fauldgate like so many rhetorical barnacles; John Neville's skill at making such utterances sound natural is misplaced, as it deflates the character's insufferable self-regard.

Beethoven blusters around for a while, eating the Fauldgates out of house and home and listening to his entire *oeuvre* for the first time. He engages in debates about criticism and composing, offers a horrified account of contemporary urban life and unites two couples: the Fauldgate parents are revivified after long-term atrophy and their son Pascal decides to leave home with the Austrian *au pair*. The old curmudgeon also inadvertently conjures up a clutch of ghosts from his own past, for reasons even less adequately explained than his appearance in the first place.

Numerous ideas, both thematic and narrative, are brought into play, but all are covered with the same varnish of well-crafted entertainment; they gloss nicely, but little else. Minor points, such as the imperfections of Beethoven's memory, are recapitulated at length to no discernable end. Moreover, *everyone*'s lines sound like Ustinov. Joe Harmston's production plays upon the smoothness and evenness of Ustinov's script rather than either accentuating the few knots which remain or trying to hint at those which have been eradicated. A play founded upon such divergent temporal and cultural viewpoints could be so much more than this. Like Pascal Fauldgate's symphonies, it does not aspire to any magnitude. Ustinov, like Pascal, may retort that he writes for audiences. But audiences appreciate magnitude too, otherwise Beethoven would not be remembered well enough to have inspired this play.

At Chichester Festival Theatre until July 21 (01243 781312).

The Aldeburgh Festival/**Richard Fairman**

Snapshot of musical activities

The Aldeburgh Festival is 49 this year and in August the Edinburgh Festival will be 50. Over the next couple of years we can expect a spate of anniversaries as the arts organisations set up in the days of optimism after the second world war reach their golden jubilees.

It is a measure of Aldeburgh's will to survive that it has reached this far with the ideals of its founders still more or less intact. As the child of Benjamin Britten, the festival was unusually reliant upon one man. When Britten died, it lost not only a great composer but also the prestige with which to draw international artists and audiences to a far-flung corner of East Anglia. For a few years the festival wobbled, but more recently it has settled into a position that at least puts its security beyond doubt.

The opening weekend of the 49th festival provided a snapshot of the artistic thinking that governs overall planning. It opened on Saturday morning with an example of the occasional celebrity appearance, a recital by Margaret Price, distinguished by some exemplary Lieder singing in songs like Wolf's "Kennst du das Land", where the voice resisted the temptation it has these days to slide marginally out-of-tune. Then came music by this year's featured composer and the usual annual Britten revival.

Hans Werner Henze was composer-in-residence in 1986 and this year has the honour for the second time, coincidentally allowing the festival to celebrate his 70th birthday in style. With his various connections to the Britten circle and long history of performances at Aldeburgh, Henze is a natural choice. He is also a genial presence, happy to appear at the festival's supporting events and still composing music of importance (his new opera, *Venus und Adonis*, has its premiere in Munich next January).

Saturday evening's concert served to introduce his music, though only in small helpings. The Five Neapolitan Songs (1956) – an appealing short cycle that glows with the Italian sun and manages to incorporate traditional rhythms without sounding condescending – were beautifully sung by Alan Opie. Then, after this chamber-sized offering, the full BBC Symphony Orchestra assembled for the UK premiere of *Appassionatamente*, a nine-minute orgy of sound, richly bolstered by saxophones and all manner of tuned percussion, drawn from his recent opera *Das verratene Meer*.

Alongside these pieces we also had a very brief sample of Colin Matthews, Busoni's *Nocturne symphonique* and Britten's song-cycle *Our Hunting Fathers*, sung by an overparted soprano, which were testament to the commendably wide sympathies of the conductor, Oliver Knussen. But what we wanted to hear was more Henze. It is frustrating to be offered a glimpse of the rich and pulsating sounds Henze has been unleashing from a symphony orchestra in his later years and then have them whisked away after a few minutes.

The problem, of course, is one of finance. The festival is offering a fairly broad selection of ten Henze works, together with two films and a lecture, to illustrate his life's output, but most of them are small-scale and the most ambitious (excerpts from a couple of the operas) are out of necessity allocated to students from the Britten-Pears School. As its centrepiece, the programme really asks for the whole of *Das verratene Meer*, which still awaits a UK staging, but inevitably the money is not there.

On Sunday, the festival turned to Britten, guaranteeing a sold-out house for *The Rape of Lucretia*. Steuart Bedford was the expert conductor with a hand-picked selection of instrumentalists and a strong cast of singers, including Jean Rigby as a proudly defiant Lucretia, Thomas Allen as Tarquinius and Anthony Rolfe Johnson colouring the text with his usual eloquence as the Male Chorus. Performed to this standard, a concert version of the opera certainly has its place in a festival programme.

Having proven its ability to stay the course, Aldeburgh must now be planning for its future. It needs money for major productions, if the festival is to aspire to the same heights in the next 50 years that it reached in the last, and the anniversary in 1997 looks as good a time to start as any.

Festival runs until June 23.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Koninklijk Theater Carré
Tel: 31-20-6226177
● Asko Ensemble: perform Stockhausen's Orchester-Finalisten (world premiere) and Telemusik. Part of the *Holland Festival; 8.15pm; Jun 14*

■ BERLIN

EXHIBITION
Altes Museum Tel: 49-30-8301332
● *Faszination der Antike*. The George Ortiz Collection: exhibition of more than 280 Egyptian, Greek, Roman and Byzantine objects from the George Ortiz Collection. Special emphasis is laid on the artistic developments in Greece from the beginning of the Neolithic to the time of Alexander the Great; to Jun 30

OPERA
Komische Oper Tel: 49-30-202600
● *Die Zauberflöte*: by Mozart. Conducted by Winfried Müller and performed by the Komische Oper and the Dresdner Kreuzchor. Soloists include Mewes, Conrad, Grabowski and George; 7pm; Jun 12

■ BERNE

CONCERT
Casino Berne
Tel: 41-31-221446/311 1446
● *Berner Symphonieorchester: with* conductor Eliahu Inbal and violinist Miriam Fried perform works by Mozart and Bruckner; 8pm; Jun 13, 14

■ BONN

OPERA
Oper der Stadt Bonn
Tel: 49-228-7281
● Il Barbiere di Siviglia: by Rossini. Conducted by Renato Palumbo and *performed by the Oper Bonn.* Soloists include Bruce Fowler and *Carlos Alvarez; 8pm; Jun 13, 14*

■ BRUSSELS

EXHIBITION
Musée Communal d'Ixelles
Tel: 32-2-5119084
● *Groeninge Collection: exhibition* of works from this collection of contemporary art, assembled over the past 10 years by a group of Belgian collectors. The collection includes works by Richter, Panamarenko, Fabre, Frère, Carlier Oursler, Keith Haring, Allan MacCollum, Mike Kelley, Sol LeWitt and others; from Jun 13 to *Jul 28*

■ DUBLIN

EXHIBITION
Irish Museum of Modern Art
Tel: 353-1-6718666
● Works on Paper from the Weltkunst Collection: exhibition of drawings, created by British sculptors in the 1980s and 90s. The exhibits come from the Weltkunst Collection of British Sculpture and include Grenville Davey's "Eye", *screenprints which use computer* generated images, and works by *Anish Kapoor, Richard Deacon,* Shirazeh Houshiary and others; to *Jun 16*

■ GHENT

OPERA
De Vlaamse Opera
Tel: 32-9-2230681
● La Fanciulla del West: by Puccini. Conducted by Silvio Varviso and *performed by De Vlaamse Opera.* Soloists include Stephanie Friede, *William Stone and Richard Margison;* 8pm; Jun 13, 15

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● London Symphony Orchestra: *with conductor André Previn and* soprano Kiri Te Kanawa perform works by Haydn, Mozart and R. Strauss; 7.30pm; Jun 13

EXHIBITION
Design Museum
Tel: 44-171-3786055
● 100 Masterpieces. *Furniture that* made the Twentieth Century: exhibition *featuring 100 pieces of* twentieth-century furniture. Highlights include the zig-zag chair by Gerrit T. Rietveld, E1027 by Eileen Gray, the Louis 20 chair by *Philippe Stark, B3 (Wassily) by* Marcel Breuer and the Well Tempered Chair by Ron Arad; to Oct 6

OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Nabucco: by Verdi. Conducted by Mark Elder and performed by the *Royal Opera. Soloists include Sylvie* Valayre, Elena Zaremba, David *Maxwell* Anderson and Timothy Robinson. Part of the Verdi Festival; 7.30pm; Jun 13, 15

■ MADRID

CONCERT
Fundación Juan March
Tel: 34-1-4354240
● *Rafael Quero*, José Antonio Campos and Alvaro P. Campos: the *pianist, violinist and cellist perform* Beethoven's Trio in E flat major *Op.70 No.1 and Trio in E flat major* Op.70 No.2; 7.30pm; Jun 12

■ MUNICH

DANCE
Nationaltheater
Tel: 49-89-21851920
● Bayerisches Staatsballet: perform *Balanchine's Concerto Barocco* to music by J.S. Bach, Preljocaj's Der Feuervogel to music by Stravinsky and Martins' Fearful Symmetries; 8pm; Jun 12

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Genoese Drawings and Prints: exhibition showing *a selection of* approximately 110 drawings and prints by Genoese artists of the 16th to 18th century, with particular emphasis upon the innovative work of Giovanni Benedetto Castiglione; to Jul 7

■ NICE

EXHIBITION
Musée d'Art Moderne et d'Art Contemporain
Tel: 33-93 62 61 62
● Arte Povera: exhibition of works by artists associated with the Italian Arte Povera group. The display includes works by Alighiero e Boeti, Giovanni Anselmo, Pier Paolo Calzolari, Luciano Fabro, Jannis *Kounellis, Mario Merz, Guilio Paolini,* Michelangelo Pistoletto and Gilberto *Zorio; to Jun 16*

■ PARIS

DANCE
Théâtre National de l'Opéra - Opéra Garnier
Tel: 33-1 42 66 50 22
● Coppélia: a choreography by Bart after Saint-Léon to music by Delibes, performed by the Ballet de l'Opéra National de Paris and the Orchestre de l'Opéra National de Paris; 7.30pm; Jun 12, 13, 14

■ TOKYO

CONCERT
Suntory Hall Tel: 81-3-35751001
● Hallé Orchestra: with conductor *Kent Nagano perform works by* Adès, Stravinsky and Berlioz; 7pm; Jun 12

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● ORF-Symphonieorchester: with conductor Dennis Russell Davies, the Wiener Konzertchor and bass Simon Estes perform works by Beethoven, Zemlinsky and Schwertsik; 7.30pm; Jun 12
● *Wiener Streichquartett: with* pianist Jasminka Stancul, perform *works by Haydn, Mozart and* Shostakovich; 7.30pm; Jun 12

■ WASHINGTON

EXHIBITION
National Portrait Gallery
Tel: 1-202-357-1915
● 1846: Portrait of the Nation: *In celebration of the 150th anniversary* of the founding of the Smithsonian *Institution, this exhibition describes* the political, cultural and social *character of America in 1846* by focusing on the leading figures of the time. *John Quincy Adams, Henry* David Thoreau, Dorothea Dix, Brigham Young and others are depicted through paintings, sculpture, prints, silhouettes and daguerreotypes; to Aug 18

■ ZURICH

OPERA
Opernhaus Zürich
Tel: 41-1-268 6666
● Ivan Susanin: by Glinka. Conducted by Vladimir Fedoseyev *and performed by the Oper Zürich.* Soloists include Iano Tamar, *Cornelia Kallisch, Matti Salminen* and Peter Straka; 7.30pm; Jun 12, 15

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. *Tel: 31 20 664 6441*

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18.00
Financial Times Business Tonight

Martin Wolf

Japan looks to Asia

The US has forcefully demanded more open markets and smaller current account surpluses from the Japanese. They may come to regret their growing success

The principal US theme in its discourse with Japan over many years has been the latter's failure to live up to its international responsibilities. The Japanese have been instructed to slim their trade surpluses, open their markets and expand domestic demand. Slowly and painfully, economic forces are compelling the Japanese to do as they have been told.

Will the US enjoy the results? Probably not. First, it will lose the funds supplied by its most generous creditor. Second, it will confront an increasingly integrated and self-sufficient east Asian economy. Overall, it will find Japan and the rest of east Asia more difficult to push around.

According to *Asia Pacific Profiles 1996*, from the Asia Pacific Economics Group of the Australian National University in Canberra, the current account balance of east Asia as a whole will shrink from \$130.3bn in 1994 to \$106.5bn in 1995 and a mere \$73.2bn this year. More than the total of this surplus is being generated by Japan, since most of the other east Asian economies have gone into deficit. Remarkably, Japan generated 60 per cent of the world's net capital outflows last year, while the US absorbed as much as 45 per cent of the inflows.

Is the US grateful to Japan for financing the arms build-up of the 1980s and the investment of the 1990s? Far from it. Yet it is difficult to identify the harm Japanese capital exports have done the US. The direction of damage has been quite the reverse.

Americans have received real goods and services in return for the assets they have sold to the Japanese. As for the latter, by the end of 1994, they had suffered paper foreign exchange losses of Y37,000bn on their net foreign investments between 1981 and 1994, according to the Nomura Research Institute. This was \$360bn or 28 per cent of their accumulated investment. When the yen touched 80 to the dollar last April, the losses soared to \$720bn.

Such huge losses are unlikely to be repeated, partly because the yen-dollar exchange rate is trading in a more realistic range. The surpluses have also been shrinking. From a peak of 3.3 per cent of gross domestic product in 1992, they fell to 2.1 per cent of GDP last year. The Ministry of Finance believes the current account surplus should fall below 2 per cent of GDP this year, perhaps to as little as 1½ per cent.

What is significant about the fall in Japanese external surpluses is that it is not the result of unsustainable growth in demand, as was the case in the 1986-90 bubble years – when the current account surplus shrank, from 4 per cent to 1.3 per cent of GDP. On the contrary, demand has stagnated this time.

The shrinkage of the current account surplus has been driven, instead, by the real appreciation of the yen. As the Bank for International Settlements notes in its annual report: "Since the recession started in 1991, the total volume of imported goods and services has increased by almost 35 per cent even though domestic demand has grown by only 2.5 per cent". If Japan were to sustain reasonably rapid growth in aggregate demand – a big if, for reasons explained in this column last week – the surplus might melt away, even at the present exchange rate.

As a matter of economic logic, a current account surplus can shrink only if aggregate output falls more (or grows less) than aggregate demand. That is precisely what the appreciation of the yen has delivered. A particularly important consequence of the squeeze on the profitability of manufacturing at home has been the decision to place capacity abroad, not least in east Asia. Whatever happens to the surplus in future years, Japanese markets are now permanently more porous to competing imports than hitherto.

The metaphor once used by Japanese economists to describe the development of the entire east Asian region is that of a flock of flying geese, with Japan at the head. More advanced newly industrialising economies – such as Hong Kong, Korea, Singapore and Taiwan – replace what Japan used to produce; less advanced ones – such as Malaysia and Thailand – replace the output of newly industrialising economies; and last come the behemoths – Indonesia and, above all, China.

Japanese foreign direct investment is playing a central role in the smooth transition of comparative advantage among the dynamic east Asian economies. Thus, since 1988 the share of Japanese foreign direct investment in Asian manufacturing has risen as that in north American production has fallen.

The reason for the change in direction seems clear. According to admittedly imperfect data from Japan's Ministry of International Trade and Industry, foreign direct investment in Asian manufacturing is more profitable than that in North America or Europe. Between 1991 and 1993, the ratio of operating profits to sales on Asian operations – at 4 per cent to 5 per cent – has even been a little higher than on operations in Japan itself. By contrast, investments in north America and Europe have been a licence to lose – or at least fail to make – money, though this finding may have been distorted by transfer pricing.

As investment has been attracted towards east Asia, so has trade. Sixty-one per cent of the increase in Japan's exports between 1985 and 1995 went to east Asian markets. In 1985, the share of Asian developing economies in Japan's exports was a mere 19 per cent, while 26 per cent of its imports then came from them. In 1995, by contrast, 40 per cent of Japanese exports went to these economies and 37 per cent of its imports originated within them. Japan's trade with the rest of east Asia is almost as large as its trade with the US and European Union combined.

The share of manufactures in total Japanese imports also rose to 60 per cent in 1995, from about 25 per cent a decade before. More than 40 per cent of Japan's manufactured imports come from east Asian economies. By the first half of 1995, 89 per cent of the calculators, 62 per cent of the colour televisions, 55 per cent of the hair-dryers, 30 per cent of the copying machines and 28 per cent of the video-cassette recorders bought in Japan were imported, mostly from east Asia.

Japanese foreign direct investment is also increasingly directed not at exports outside the region, but at consumption within it. Thus it contributes to perhaps the most striking fact about the whole east Asian area – its growing self-sufficiency, with half of its total trade inside the region.

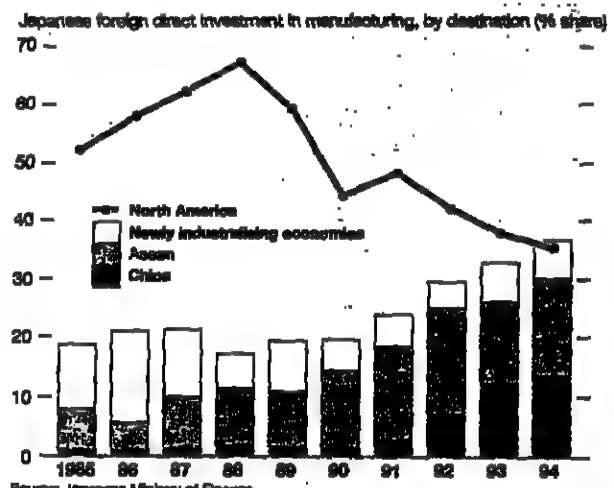
The pace of change in the Japanese economy must not be exaggerated, even though the direction is significant. Japan is likely to run a current account surplus for years. It could well rise again. Similarly, the ratio of Japan's imports of manufactures to GDP remains very low by the standards of other industrial economies. In 1994 only 8 per cent of the output of Japanese manufacturing companies was abroad, compared with 20 per cent for the US. But this was already up from 3 per cent in 1986. The Asia Pacific Economics Group argues it could be as much as 20 per cent by the turn of the millennium.

The Japanese will have to answer some big questions. One is whether to promote a yen bloc. Another is how large (or small) a proportion of the domestic labour force can be credibly offered lifetime employment. Yet another is what to do with redundant domestic capacity. Perhaps the most fundamental is how to turn traditionally inward-looking Japanese businesses into true multinationals.

Yet the US will also find these changes painful. It may have to compete for funds in a world without any significant Japanese exports of capital. It may also have to forego its complaints about Japan's trade policy. It will, in any case, find it more difficult to bully a Japan that sends 30 per cent of its exports to the US than it did a decade ago, when that share was 40 per cent. How well will it adjust?

The lure of east Asia

Japanese foreign direct investment in manufacturing, by destination (% share)



Source: Japanese Ministry of Finance

Personal View · Henry I. Miller

Left standing by the agricultural revolution

The European Union should revise its heavy-handed regulation of the biotech industry

& Biotechnology applied to agriculture is beginning to yield all manner of products, including fruits and vegetables that are disease-resistant, more nutritious and can grow with less chemicals. We may see an agricultural revolution in much of the world during the next decade. But not in Europe.

Six years after the European Union's establishment of directives on biotechnology, its member countries continue to struggle with their implementation. The directives, hastily published in 1990, ostensibly in response to fears about the dangers of genetic engineering, strictly regulate the use of genetically manipulated organisms in the laboratory, in the factory and in field trials.

The problem with the EU's rules – as scientists from the Organisation for Economic Co-operation and Development and other bodies quickly pointed out – is that they narrowly define "genetically manipulated organisms" as those modified by modern gene-splicing techniques. They ignore those produced by traditional methods, for example by breeding hybrids.

So the full weight of regulation falls on plants and micro-organisms produced by a particular technique, rather than on those produced by whatever method that might actually be dangerous – because they are toxic, for example, or because they might spread out of control. In fact, the techniques of biotechnology are more precise and yield a more predictable and safer organism.

And the rules markedly increase the costs, the paperwork and the time required for research. This is a particular impediment in agriculture, where profit margins are slimmer than in pharmaceuticals.

Groups from the US Congress's research organisation to the British journal *Nature* have condemned the EU approach. In 1993 the UK House of Lords committee on science and technology said the EU-imposed UK regulation of biotechnology was "excessively precautionary, obsolescent and unscientific".

Flying in the face of the scientific consensus, EU regulation continues to cast a veil of suspicion over biotechnology by requiring case-by-case government environmental assessments for most field testing with gene-spliced plants.

By contrast, plants with similar or identical traits that were created with less precise techniques, such as hybridisation or mutagenesis (treatment by radiation or chemicals to induce mutations), are subject to no government scrutiny – and no publicity. That applies even to the many new plant varieties resulting from "wide crosses", hybridisations which move genes from one species or genus to another – that is, across natural breeding boundaries.

George Orwell was right to say it requires a constant struggle to see what is in front of one's nose – a struggle that the European enviro-crats have been losing. EU environmental regulators seem to have as their primary goal the maintenance of a large, centralised and unnecessary bureaucracy for the case-by-case evaluation of field trials of genetically manipulated organisms.

Although they have now removed some field trials from the regulatory net, the EU's approach – subjecting products to regulation on the basis of the technique used to produce them – is flawed. And bad science makes for bad regulation.

European parliamentarians and regulators have recently begun to taste the bitter fruits of what they have sown. Several hundred people attended a biotechnology "brainstorming" session in Brussels in January. The meeting was an informal conclave of various European institutions, including the European Commission and the European parliament.

The data presented were ominous, indicating that the US enjoys a substantive lead over Europe in the total number of biotechnology companies (1,300 versus 485), biotechnology patents (65 per cent versus 15 per cent of the world total) and annual biotech research and development expenditure (Ecu7bn versus Ecu2.2bn). The European officials concluded in a final statement that "unless member countries quickly develop the economic, legal and ethical framework to foster biotechnology business development, the continent is in danger of becoming merely a market rather than a major contributor" to innovation.

But those attending were unable – or unwilling – to make the connection between Europe's regressive, stultifying regulatory policies and diminished R&D. And in the end they reverted to type, calling for more public discussion of ethical issues allegedly raised by biotechnology – in particular "vague fears" that the "value of the human being, founded on its genetic constitution, may no longer be established". That is not leadership. It is dithering. And while the Eurocrats dither, Europeans' hopes for better lives and a healthier environment fade.

The correct path is by no means obscure. A revised regulatory regime that requires case-by-case oversight only for organisms that might pose significant risk would have several advantages. It would decrease direct government involvement; stimulate academic and industrial research and development; eliminate what amounts to a tax on biotechnology innovation; and ultimately make important products available to farmers and consumers.

The author is Robert Wesson fellow of scientific philosophy and public policy at the Hoover Institution and a consulting professor at Stanford University's Institute for International Studies.

·LETTERS TO THE EDITOR·

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

BA/American Airlines alliance merits probe

From Mr Richard Branson.

Sir, In his analysis of the proposed alliance between British Airways and American Airlines ("In search of fair skies over the Atlantic", June 7) Michael Skapinker points out that the agreement will almost certainly require anti-trust immunity from the US authorities. This is absolutely correct, but it raises two very important points.

The first is the way in which the US authorities have used the grant of anti-trust immunity for airline alliances as a negotiating chip to obtain so-called open skies bilateral agreements. I believe such an approach is fundamentally wrong. Irrespective of the benefits open skies might produce, competition and the associated consumer gains are too important to be traded in this way. Why should open skies be traded for a legalised cartel between the largest and third largest airlines in the world (*BA Fact Book 1995*)? No other industry would be allowed to operate in this way.

My second point is that, despite acknowledged shortcomings in the US approach, at least there the debate will be held in public. All the interested parties, including other airlines and consumer groups, will have an opportunity to comment. The US government will be forced to produce and publish an argued reason for its final decision.

How differently things are handled in the UK. Here there is a real risk that any decision on any BA/American alliance will be taken behind closed doors despite it being a merger of two such huge and powerful companies that it raises enormous issues of principle about competition in aviation and the interests of the consumer. This is wrong and we should all lobby to ensure open debate.

What is more, under UK competition law aviation is treated as such a special case that it is by no means clear that our competition authorities such as the Office of Fair Trading or the industry's own regulator, the Civil Aviation Authority, will have the powers to stop or even investigate a BA/American alliance, irrespective of the harm it might do. Who then is going to look after the interests of the British consumer?

As to whether this alliance should be approved, I can do no better than quote BA's own chief executive, Robert Ayling, when objecting to an application by Lufthansa and United Airlines for immunity for their alliance from the US anti-trust laws similar to the one that he is now contemplating. He was quoted in the Financial Times only three months ago ("BA attacks US-German anti-trust move", March 6) as saying "What Lufthansa wants to do is to reduce the level of competition by relaxing the anti-trust laws." The article goes on to say "[Robert Ayling] said he would be interested to see how the US departments of justice and transportation dealt with Lufthansa and United's application ... Mr Ayling said the Justice Department was required to promote competition." I hope that the Justice Department takes Robert Ayling's words seriously!

Last year Lufthansa and United flew less than 14 per cent of all scheduled flights between Europe and the US. BA and American flew more than 28 per cent. If Robert Ayling thought a tie-up between Lufthansa and United so objectionable I would be interested to hear why he thinks a BA/American alliance should be waved through by either the UK or the US authorities without a thorough investigation.

Richard Branson,
chairman,
Virgin Atlantic Airways,
Ashdown House, High Street,
Crawley, W Sussex, UK

Hang on to money supply

From Sir James Pickthorn.

Sir, Mr Roland Soward (Letters, May 29) mocks the fall in the value of the pound from 1963, declaring triumphantly: "So much for British national sovereignty over monetary policy."

These are foolish words. It takes little imagination to realise that if the pound had been fixed over those years, the level of unemployment of people and resources which would have resulted would have made the UK population desperate. In truth, the fall in the pound is a direct result of poor economic management, particularly by the Heath and Wilson/Callaghan governments. If Mr Soward really thinks UK governments are not capable of running the money supply, then perhaps he has some ground for argument, but I believe most British people still prefer the economy to be run from Westminster.

However, in the 1980s and 1990s, there was a sea change in attitudes to economic management for the better, and a handover of the money supply to Frankfurt, having learned the lessons, is surely unnecessary.

James Pickthorn,
Pickthorn,
estate agents and chartered surveyors,
24 Lime Street,
London EC3 7HR, UK

Short shrift for job poaching

From Mr Roger Freeman.

Sir, With regard to your concerns on the implications of job poaching among international investment banks and the need for market discipline ("Poaching bankers", June 6); is that not why God invented the ability to short the shares of these institutions?

Roger Freeman,
Brookfield House,
108 Highgate West Hill,
London N6 6AP, UK

No denying this competition

From Prof Stèphane Garelli.

Sir, In his article "Clear thinking muddied by competitiveness" (June 7), John Kay falls in the trap laid for him by Paul Krugman and states: "Competitiveness is a characteristic of firms, not of countries ..." Good news, we can all relax. And all those who lost their jobs over the last decade, or went into bankruptcy, should only blame themselves. But who can sincerely believe that states do not compete with research policy (as in Japan), with technological infrastructure (as in Singapore), with taxation (as in Ireland) or simply with value systems and education (or is this the responsibility of enterprises ...)? And who can claim that an enterprise operating in Nigeria or in the US, enjoys an environment similarly conducive to competitiveness? Nobody, and especially not the companies which are supposedly the only owners of competitiveness.

As for the suggestion that competitiveness be replaced by national income, it is indeed simpler, but also simplistic. For example, two individuals can have equal incomes, the first enjoying revenues from a capital inherited from his parents, the second from his hard work. Who is competitive if not the second who creates added value? The same concept applies to countries. Today, many still rely on inherited wealth (eg natural resources) or on the competitiveness of past generations (Europe?).

It is indeed quite radical to evacuate a problem such as the competitiveness of nations by simply denying its existence. On July 14 1789, when the Bastille was taken over by an angry populace, Louis XVI, king of France, wrote in his personal diary: "Nothing." Such short-sightedness cost him his job, and much more.

Stéphane Garelli,
Professor at IMD and at the University of Lausanne
Director of the World Competitiveness Yearbook,
IMD business School,
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Tuesday June 11 1996

Russia the morning after

Nary a vote has been cast in Russia's presidential election but Boris Yeltsin's fans among western investors are already heaving sighs of relief. Six months ago, most were steeling themselves to put up with any amount of wayward behaviour by Mr Yeltsin the campaigner if it helped deliver a long-term victory for Mr Yeltsin the reformer.

These days the assumption is that the president will get re-elected, leading the way to the *consolidation of market reforms* and full-blown economic recovery. Subscribers to this conventional wisdom would accept that there is still a risk of an electoral upset; opinion polls, heaven knows, have been wrong before. They remain confident, however, that a Yeltsin win spells an end to uncertainty. This may be optimistic.

Yeltsin enthusiasts point to the government's adherence to the broad outlines of the austere economic programme agreed with the International Monetary Fund at the beginning of the year. Though scarcely an election stop goes by *without Mr Yeltsin* promising another dollop of unbudgeted cash, official figures suggest that few of the promises have translated into actual spending.

If the president has effectively "bought" the election then it would seem to have come remarkably cheap. Some categories of central government spending were lower in the first quarter of 1996 *than they have been since the* onset of reforms.

Doubtless Mr Yeltsin would have liked to spend more. The trouble is that the collapse in domestic tax revenues and the bond market have made it difficult to fund even this amount. Tax revenues were 11.6 per cent of GDP in first quarter of this year, down from a dismal 14.1 per cent at the same point a year earlier.

Ministers put the shortfall in revenues down to sheer uncertainty about the outcome of the election. In fact, they claim that revenues have risen somewhat in recent weeks as President Yeltsin has pulled ahead of Communist party leader Gennady Zyuganov.

The election is likewise blamed for the absurdly high level of government bond yields, which have fallen a little but are still running *at annualised rates of 175 per cent* to 180 per cent. These have made it difficult for the government to stick to the IMF's budget deficit targets, even with the apparent tight control on spending. Meanwhile government debt is soaring – from a low base, admittedly, but no-one believes that this rate of growth can be sustained for very long.

In theory, a Yeltsin victory would dispel most of these economic dangers. Revenues would pick up, thanks to greater certainty and the concerted tax reform programme which Mr Yeltsin has promised both voters and the IMF that he will introduce. And the bond market would get back to normal, as a result of both rising domestic confidence in the government's creditworthiness and greater effort to open up the market to foreign investors.

Mr Yeltsin – backed by market sentiment – would certainly have a better chance of resolving these *difficulties than Mr Zyuganov*, whose advisers betray little understanding of the dynamics of maintaining macroeconomic control. But Mr Yeltsin has been all things to all men in this election; it may be premature to hope that the persona he adopts after the election will be the one western investors favour.

Silly bill

Scores of Conservative MPs may *today vote for a referendum on* the UK's future in Europe. A bill tabled in the House of Commons by Mr William Cash, a prominent Eurosceptic, proposes that the electorate be asked whether the government should "insist on irreversible changes in the treaty on European Union". The aim is to ensure that the UK "retains its powers of government and is not *part of a federal Europe nor part* of a European monetary union, including a single currency".

On one level this enterprise can be dismissed as just another of the Eurosceptics' flights of fancy. It has no prospect of becoming law. The question it poses reveals a deliberate sophistry among its supporters. Signatories to international treaties cannot unilaterally *insist on amendments to those* treaties. Some Tory MPs will vote for the bill for no better reason than to avoid a challenge at the general election from candidates *representing Sir James* Goldsmith's Referendum party.

The unspoken aim of the bill, however, is more serious. It is to mobilise opinion behind a path for the UK which has only one logical destination – withdrawal from the European Union. So far only a handful of the Eurosceptics are prepared to admit publicly such an ambition. But, with the encour*agement of sections of the press,* their numbers are growing.

So far the public appears little moved. For all the irritation with the EU ban on British beef, a Gallup poll in The Daily Telegraph this week indicated that only 19 per cent of voters would back complete withdrawal. It would be wrong to be complacent. Sometimes the political and economic *case for the UK's active* engagement in the EU seems almost too obvious to make. But it must not be allowed to go by default.

Bribe or subsidy?

When does an incentive to bring *jobs to a deprived area* become a bribe? Answer: if somebody else is doing it. And when everybody does it, defensible subsidies become swamped in a welter of competing inducements. Multinational companies pocket the cash. Some build their factories where they would have built them anyway and send taxpayers the bill.

This competition has become more intense in recent years, as European regions bid against each other for inward investments, much of it from east Asia. It is one economic race in which the UK can boast remarkable success. The *country attracts almost a third of* the EU's inward investment. Overseas capital now accounts for a fifth of UK manufacturing employment and about 40 per cent of the country's exports of manufactured goods. And the pace is increasing. The Welsh Development Agency, for example, is now chasing about 100 projects, almost twice the number on its books a year ago.

It is not difficult to understand why. Foreign-owned companies played a large part in reducing the despair and desolation in those parts of the country where whole communities were pitched into unemployment by the collapse of traditional heavy industries. In the northern region, for example, more than 60,000 jobs have been created in the last 10 years from some 450 projects, which brought investments of £7bn to the region.

In addition to providing jobs in areas where unemployment seemed to have become a way of *life*, the new *foreign-owned* factories have brought other profound benefits to the UK economy. Projects ranging from the earliest television manufacturing plants in *south Wales*, to the modern car factory built near Sunderland by Nissan have brought a revolution *in labour practices*, cheerfully accepted by the employees and emulated by competitors. Wage flexibility, the dismantling of unnecessary regulations, the lowering of corporate taxes and more imaginative approaches to planning have all been encouraged, in part at least, by the need to attract foreign capital.

These reforms and other advantages of investing in Britain, such as access to EU markets, are much trumpeted by UK ministers. So why is it necessary to put together increasingly sophisticated subsidy packages? Some companies, such *as Toyota, clearly do not need the* cash. Others may be swayed. But even from a narrow national perspective, it makes no sense for different regions to increase the bidding by competing against each other. Even though regional development agencies are constrained by national and by EU rules as to what they may offer, ingenious ways of putting together different types of subsidy can create a fat parcel. More than £37,000 per worker has recently been offered by the Welsh Development Agency to LG, a Korean microchip manufacturer.

It is time for the Department of Trade and Industry to crack the whip, as the Treasury is now proposing. It should restore consistency, evaluate the real economic benefits of each project, and limit incentives to general measures to help deprived areas. More generally the EU needs to press forward with its efforts to construct *clearer rules governing the* packages of subsidies which member states are putting together with such imagination. Above all, it is time for a recognition that such subsidies have become good for each and bad for all.

FT Interview · Li Peng

A friendlier face to the world

The Chinese premier tells Tony Walker, Peter Montagnon and John Ridding of his desire for better international relations

Mr Li Peng, the Chinese premier, cannot be accused of underselling China's growing economic and political weight. In a lengthy interview with the Financial Times, he provided a blunt assertion of Chinese self-interest by warning US companies that they will lose ground to their European counterparts because of "more lenient" views in Europe towards his country.

Mr Li, 67, was clearly intent on signalling that China would not hesitate to use the attractions of its vast domestic market and virtually insatiable appetite for technology to advance its interests.

"If the Europeans adopt more co-operation *with China in all areas*, not just in economic areas but also in political and other areas," he said, "I believe the Europeans can get more orders from China."

His observation that European companies will prosper if their governments behave themselves in relations with China could not have been expressed more crudely. Yet China's premier vilified in the west *for ordering the crackdown* on student demonstrators in 1989, appears to be a playing a more subtle game.

He has embarked, it seems, on a fairly determined effort to improve his image, not just in China but also in the west. He is travelling abroad more frequently, most recently to France where he signed a substantial order with Airbus. Before that he was in Bangkok for the Euro-Asia summit where he held meetings with many of Europe's leaders.

Mr *Li*'s new choice of venue for official meetings is also revealing. He has begun to hold court in a *traditional oriental villa*, previously occupied by Zhou Enlai, a giant of the communist revolution and China's first post-1949 prime minister.

Use of the Xi Hua, or "west flower", pavilion in Beijing's Zhongnanhai leadership stronghold implies a wish to emphasise a link with one of the less tarnished personalities of the Mao era. Sentiment may also be a factor: as the infant *son of a "revolutionary martyr"* executed by the Nationalists in 1931, Mr Li was "adopted" by Zhou Enlai and his wife, Deng Yingchao, a childless couple, and thus drawn into the communist elite.

In the 90-minute discussion, during which he ranged widely on issues from the economy to human rights, China's premier spoke confidently about his country's future and exhibited little *sign of his* customary prickliness.

Without yielding ground, he sounded relatively conciliatory about relations with the US, the handover *of* Hong Kong and even about Taiwan which was at the "core" of Beijing's difficulties with Washington. He was anxious, it seemed, to reassure foreign investors that China would continue to *provide a stable environment*.

But in keeping with a reputation for being one of the leadership's more nationalistic figures, he emphasised that China would resist western pressures for greater economic and political liberalisation. In that context, he conveyed a flavour of China's increasing self-confidence, even swagger, as its economic power grows.

Typical of this were his observations about China's attempts to join the World Trade Organisation, which are in limbo pending resolution of a range of issues, including market access. "When I made a speech in Paris recently to the business community, I said that if China cannot join the WTO, then we think that the WTO should change its name to the Regional Trade Organisation. My remarks won very *thunderous applause*."

Mr Li also bared his teeth in his somewhat triumphalist observation about what he saw as a shift in US attitudes towards China in the past few months. "It seems that people both within and without the US government have come to realise the importance of China. That's why they advocate an engagement policy rather than an isolationist policy.

"This can be termed progress because before they miscalculated the situation. They thought that with the end of the cold war and the disintegration of the former *Soviet* Union, China was no longer important to the US. They may even have thought that China, like the former Soviet Union, would disintegrate very rapidly. But the facts have negated these ideas. They have shown a strong China is standing rock firm in the world and will continue to develop so the US has no choice but to deal with China."

Mr Li is at an interesting moment *in his premiership – his term is due* to expire in early 1998 and he may be looking to his next task which might involve appointment as vice-chairman of a restructured Communist leadership. At a relatively young age for a Chinese leader, he could expect to occupy positions of influence into the next century.

He would also be *concerned* that his decade as premier be regarded *as one of significant achievement*, hence his emphasis on China's having laid a "stable" foundation for further "reform and opening".

Contrasting China's path to reform with that of the former Soviet Union which was "not very clear", he observed: "Every country has its own national conditions and may choose a different development, but one thing is clear ... *without a stable political* situation it is almost impossible for any developing country to develop its economy."

He also made clear that China remained firmly wedded to "gradual" reform: there would be no headlong rush to a market economy. "What kind of role will the government play in the course of economic development?" he asked. "That is *exactly* the question that will be answered by a socialist market economy. We think the market plays a fundamental role in the allocation of resources but in China, a *socialist country*, the *fundamental* role played by the market can only be brought into full play under the government's macro-economic regulation and control."

To that end, China will in the next period of reform switch its attention increasingly to what he described as a "shift from an extensive growth economy to an intensive growth economy, or rather, *change from quantitative growth to* more efficiency-oriented growth".

China's premier, who has a reputation as a hardliner on political reform, indicated that such reform was on the agenda but the pace of change would be slow. While rejecting any notion *of* China evolving into a "western-style democracy" he said: "We will develop our democracy to suit China's natural conditions and we will deepen political restructuring and further develop our democracy according to our characteristics."

Mr Li may continue to issue threats against those who appear unfriendly to China. But his remarks and demeanour indicate he is intent on exhibiting a friendlier face to the outside world – and recognises that China's interests *require a greater effort* to seek compromise rather than confrontation.

A softer line on Hong Kong

The die is cast, said Mr Li Peng, referring to Hong Kong's return to China next year. But despite his air of finality, the Chinese premier was keen to reassure the territory's residents that a smooth transition can be secured – right down to a joint handover ceremony.

"Maybe some politicians in Britain hope that the handover ceremony can symbolise the glorious or honourable withdrawal of Britain from Hong Kong," Mr Li said. "We have no objections to that because that also means we can take over in a very dignified and *honourable manner*."

Such comments contrast with recent Chinese references to a "freeing of the shackles of colonial rule". They also raise the prospect of progress on the vexed question of handover ceremonies – especially the role of Mr Chris Patten, the *Hong Kong governor*.

Mr Patten has drawn criticism from Beijing since introducing *democratic reforms which* broadened the electorate to the territory's legislature. Chinese officials have hinted that they do not want the governor to play a prominent role in the handover ceremony. But Mr Li said simply that Mr Patten's participation was *a matter for the UK government*.

As for Mr Patten's successor, one of the most important decisions before the handover, Mr Li said he was not in favour of haste in selecting a chief executive. "The basic policy of China is to ensure a stable transition and smooth transfer of government," he said. "I prefer a quite thorough deliberation over the candidates on the *basis of soliciting the views of* the Hong Kong people."

While this will provide some comfort for those seeking consultation on the issue, it may disappoint those in the territory hoping for a rapid solution. They want an early appointment to end uncertainty and to provide a local leader who can uphold the principle of autonomy on which the *handover agreements between* Beijing and London are based.

· OBSERVER ·

Alternative medicine

■ Deutsche Bank last week spent another DM550m to bail out the German engineering group Klöckner-Humboldt-Deutz, the *second time it has spent* that sort of money in as many years. But if Germany's biggest bank thought that its problems ended there, it should think again.

The bank owns *47.7 per cent* of KHD and now has to find a buyer for KHD Humboldt Wedag, the cement plant subsidiary which ran up the losses and might have brought the entire group to bankruptcy.

Who does it sell it to, though? There are three groups worldwide specialising in cement plants, but Deutsche would have to sweeten the deal hugely before tempting any of them. In fact, some are suggesting, it might have to make provisions in Humboldt's accounts of up to DM1bn for further losses.

One suggestion now doing the rounds is that *Deutsche* might try to lean on Kajo Neukirchen, the man busy trying to resuscitate Metallgesellschaft, the industrial group which almost collapsed two *years ago. It has often parachuted* him in as doctor when any one of the many companies under its wings begins to totter. The bank may well reckon he owes it a favour.

Nonetheless, taking over the latest problem would surely rattle even him. He headed up KHD from 1988 to 1991, and might well not appreciate its reappearance in his career. What is more, Humboldt Wedag would be a poor fit with Metallgesellschaft, and could even jeopardise the group's unfinished recovery. As one executive said: "Industrially, it would be a total catastrophe. But Deutsche Bank would have solved a problem."

Leeson mark 2

■ What a difference nine months makes. The BBC documentary tomorrow night, "Nick Leeson and the fall of the house of Barings" *gives an altogether harsher picture* of the trader than did Sir David Frost's interview in September.

Sir David, who had proudly secured for the Beeb the world's first media interview with Leeson, then in prison in Frankfurt, tended to the banal. He extracted this explanation of the losses: "However naive and stupid this may sound, I was always working in the best interests of the bank".

To be fair to Frost, Leeson had everything to gain from such a portrait. Adam Curtis, the producer of tomorrow's special edition of *Inside Story*, says that when interviewed by Frost, "Leeson was hoping strongly to come back to Britain, and presented himself in a charming, little boy way". When seen by Curtis, the day before leaving Frankfurt for Singapore's Changi jail, "he was going back to some form of imprisonment, and was hyped-up and angry".

Leeson, who says that Barings had "a lot of idiots in all the controlling functions", tells Curtis: "I really don't care what people think. I don't care what you think. I don't care what the average man in the street thinks". Which sheds at least some light on how the bank lost £860m without realising.

No I don't

■ Timothy Stamps, Zimbabwe's white health minister, is jolly keen on the institution of marriage as *part of his Aids awareness* campaign. But not so keen that he wanted to go through with it twice himself – which is what it seems he may now have done.

The problem arose during a visit last month to a village which had just built an Aids clinic. Stamps wanted to thank them, and intended to go through with a spoof wedding ceremony, "paying" for a traditional bride. "I thought I would get any girl from the audience but someone jokingly said I should go through the proper process of marriage," a red-faced *Stamps admitted*.

It was in this way that Stamps, 59, took the hand of Stella Gurira, 15, in what she, her family and the villagers seem to think was a serious ceremony. The girl has been asking a reporter if there is any message from her husband, the putative bigamist. "Did he tell you when he is coming to take me to Harare?" she asks, apparently fearful that if he tarries long, she will be too old to have children. Her father certainly doesn't propose to view Stamps's age as an insuperable obstacle: "I cannot refuse a son-in-law, no matter how old he is," he says. Particularly if he is a senior politician.

England-free zone

■ John Major's war against Europe is not making the English as unpopular as some people might think. Merchandise emblazoned *with the Euro 96 football* championship logo, which includes in large letters the word "England", has been selling well in continental Europe despite the government's beef war with its European partners.

However, there is one place where fans refuse to buy anything associated with the host country. No prizes for guessing that it's Scotland.

LPI, the firm handling the licensing of all Euro 96 products, says Scottish retailers and licensees have received special *dispensation from UEFA* – the sport's governing body in Europe – to sell goods with an England-free logo. That was wise, not just for commercial reasons. Oh, by the way, England play Scotland at Wembley on Saturday.

Financial Times

100 years ago

Amazon Steam Navigation

The report of the directors of the Amazon Steam Navigation Company, to be presented at the general meeting in London, states that, after making adequate provision for *depreciation in the company's* fleet the available balance including £25,751 brought forward, is £35,011. The company's renewed contract with the Federal Government of Brazil was signed on 1st August last, and, with the approval of both Houses of Congress subsequently obtained, the contract will remain in force for a term of ten years.

50 years ago

Railway Mission to Argentina

The Financial Times learns that an important British mission *headed by a prominent public* figure is leaving shortly for the Argentine. The main purpose of the mission is understood to be discussion with the Argentine Government of the future of British-owned railways in Argentina. President Peron's recent reference to the intention of Argentina to respect foreign capital should help to form an encouraging background to the mission's task. Argentine railway stocks have recently been strong on confidence of a resumption of Anglo-Argentine talks on the future of British-owned lines.

FINANCIAL TIMES
Tuesday June 11 1996

EU ministers press UK to drop beef ban tactics

By Caroline Southey and Lionel Barber in Luxembourg and Robert Peston in London

Mr Malcolm Rifkind, the UK foreign secretary, faced sharp criticism from fellow European Union foreign ministers yesterday as Britain came under mounting pressure to abandon its blocking tactics in the beef crisis.

The attack on the UK's non-co-operation policy over EU business came despite limited British concessions at a meeting of EU foreign ministers in Luxembourg.

Meanwhile Italy, which currently holds the EU's rotating presidency, and the European Commission were playing key brokering roles ahead of the European summit in Florence at the end of next week.

Mr Jacques Santer, Commission president, said he was hopeful of a deal with Britain before the summit.

Britain and the Commission are expected to submit a draft plan to EU veterinary experts on Friday for lifting the EU embargo on UK beef exports. A ban on British beef exports worldwide was imposed after possible links were disclosed between BSE, or mad cow disease, and its human equivalent, Creutzfeld-Jakob disease.

Italy warned yesterday that the UK had to be more flexible to keep alive hopes of a deal, allowing a step-by-step lifting of the embargo on British beef exports, in time for the Florence summit.

A senior EU diplomat said: "We are on a knife-edge. Nobody knows what form the political crisis will take if we don't get a deal at Florence. But there will be a crisis if there is no deal."

Making concessions in three areas to Britain's EU partners, Mr Rifkind waived opposition to funds for elections in Bosnia-Hercegovina, an association agreement with Slovenia offering the prospect of future EU membership, and a mandate for a trade pact with Algeria.

Britain is pinning its hopes on a "framework" agreement with its EU partners to lift the beef ban based on agreed scientific criteria, coupled with an undertaking that member states will not block enforcement for political reasons.

Mr Lamberto Dini, Italian foreign minister, explained that if Britain abandoned its boycott in a "pragmatic, but not definitive way" there could be progress toward a deal.

But other countries took a harder line. Mr Hans van Mierlo, Dutch foreign minister, said British should call off its campaign before negotiations begin on a framework agreement.

Mr Hérve de Charette, French foreign minister, said Britain was "shooting itself in the foot" by blocking policies which it favoured. Mr Abel Matutes, Spanish foreign minister, complained of "blackmail", while Mr Niels Helvig Petersen, Danish foreign minister, said British policy lacked all logic.

Slovenia applies to join EU, Page 2; Beef war barrage, Page 8; Editorial Comment, Page 15

Japanese store chief may quit in payments scandal

By William Dawkins in Tokyo

The president of Takashimaya, Japan's largest and oldest department store, is considering resigning over allegations that the company paid racketeers not to disrupt shareholders' meetings.

Three present and former Takashimaya employees were arrested on Saturday on suspicion of paying hundreds of million of yen to Mr Isao Nishiura, self-professed leader of a prominent Osaka gang syndicate.

Police allege that Mr Nishiura extorted a record Y80m ($734,000) from Takashimaya staff in the past two years alone, and "several hundreds of millions" in earlier years. The payments were said to be listed in company accounts as expenses for social functions.

Mr Nishiura and other so-called "*sokaiya*" corporate gangsters operate by buying shares to qualify for entry to shareholders' meetings. He got into Takashimaya's by buying 10,000 shares – worth Y16.7m at yesterday's closing price – through a front company.

Originally, companies recruited the *sokaiya* to stage filibusters at general meetings to deny bona fide investors the chance to ask difficult questions. Gradually, however, the racketeers turned against their employers. They found it more profitable to exploit company chairmen's horror of personal embarrassment by threatening to turn up at AGMs and shout abuse at them or throw objects.

The Japanese government tried to put *sokaiya* out of business in 1982 by banning them under the commercial code.

Since then, several leading companies including Ito-Yokado, the supermarket chain, and Kirin Brewery, Japan's largest, have fallen foul of the law. The president of Ito-Yokado resigned in 1984 and the chairman of Kirin two years ago, after employees were arrested for paying gangsters.

Most companies resort to a cheaper method of outwitting unwelcome shareholders. They hold AGMs on the same day. This year, nearly 1,400 of the companies listed in the first section of the Tokyo stock exchange – 95 per cent of the total – will hold meetings on June 27.

The stock exchange deplores this practice but the fear of unwelcome visitors from Osaka has meant its pleas have fallen on deaf ears.

Mr Hiroshi Hidaka, the Takashimaya chairman, cut short a European business trip to return to Tokyo and face the music over the latest scandal. Looking embarrassed, he said yesterday that he might step down after an internal management inquiry, but denied any prior knowledge of the payments. Takashimaya's share price fell Y50 to Y1,670 on the news.

Bomb aimed at Syrian president

Continued from Page 1

US citizens in Syria to "review their security practices".

The Arab sources say that for the past month Mr Assad has been working out of Latakia, the heartland of the minority Alawite sect around which he has built the Syrian regime.

They add that he has met there Rifa'at al-Assad, his younger brother, for the first time in more than a decade. Rifa'at, once a pillar of the military-backed Ba'athist government had been out of favour in Syria since his March 1984 attempt to take over the regime, after Mr Assad fell ill in late 1983.

Syria is at odds with Turkey because Damascus shelters Kurdish separatist forces and because of Turkish plans to dam the the Euphrates on which Syria depends. Most recently, the countries have argued over a military co-operation agreement Turkey signed with Israel in February.

CBS owner

Continued from Page 1

industrial businesses recover their investment-grade credit rating, the group's executives said. Westinghouse was relegated to junk-bond status at the time of the CBS acquisition, reflecting the heavy debt it assumed to make the purchase.

Westinghouse said that it would take four to six months to examine the tax and legal issues involved to see if a separation of the broadcasting from the industrial businesses would be practical.

Lower jobless total fails to ease labour crisis in Germany

By Peter Norman in Bonn

Unemployment in Germany fell by just under 150,000 last month, but a smaller-than-expected seasonally adjusted decline showed there is as yet no easing of the country's employment crisis.

The federal labour office in Nuremberg reported the pan-German unadjusted jobless total dropped to 3.82m in May from 3.97m in April. This reduced the "headline" unemployment rate to 10 per cent of the labour force last month from 10.4 per cent in April but still well above the 9 per cent of May last year.

Mr Bernhard Jagoda, labour office president, said the decline in unemployment between April and May was in line with seasonal developments. "Nothing has changed concerning the overriding unfavourable trend on the labour market," he said.

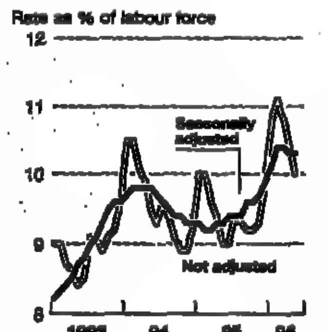
The German trade union federation said the fall was "disappointing". Ms Ursula Engelen-Kefer, the DGB's deputy leader, declared: "We can be pleased if the annual average stays under 4m."

Seasonally adjusted, German unemployment fell in May by just 7,000 to 3.93m, leaving the jobless rate unchanged at 10.3 per cent. In western Germany, seasonally adjusted unemployment actually rose by 15,000 to 2.77m, or 9 per cent of the labour force, from 8.9 per cent in April.

This was offset by a 23,000 fall in eastern Germany's adjusted jobless total to 1.16m, cutting the region's unemployment rate to 15.5 per cent in May from 15.8 per cent the previous month.

German unemployment

Rate as % of labour force



Source: Datastream

Bullish figures last week for April's industrial orders and production triggered hopes that Germany might be pulling out of its economic trough. But according to Mr Holger Fahrinkrug, an economist with investment bank UBS in Frankfurt, yesterday's jobs data, which upset expectations of a 15,000 drop in seasonally adjusted unemployment, showed "the economic upswing is still fragile".

Mr Jagoda blamed the poor May figures on weak demand for building work and its knock-on effects on the economy. The usual spring recovery obscured these adverse trends.

The scale of Germany's unemployment problem was highlighted by year-on-year figures showing an increase of 357,000 or 10.3 per cent in the unadjusted total compared with May 1995.

Provisional estimates from the federal statistics office put total employment at 34.3m in March, down 420,000 on March last year.

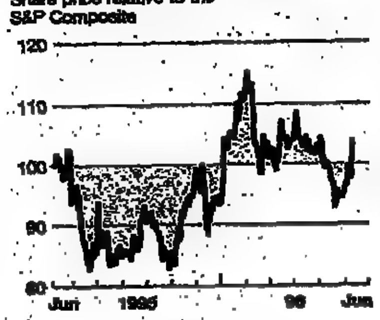
THE LEX COLUMN

Westinghouse's make-over

FT-SE Eurotrack 200: 1723.0 (+0.1)

Westinghouse

Share price relative to the S&P Composite



Source: FT Extel

Westinghouse Electric's announcement that it may split its media and industrial businesses is the latest attempt by Mr Michael Jordan, its chairman, at turnaround-by-financial-engineering. It may just work, and not before time. The acquisition of CBS seven months ago, in a shift from difficult industrial markets to broadcast media, failed to produce the desired effect on the company's share price. That is partly because many investors who liked the look of the media business are reluctant to buy the package – a financially-stretched conglomerate involved in competitive and capital-intensive businesses, with the additional problems of pensions underfunding and environmental difficulties.

By spinning off the media division, Mr Jordan will effectively be constructing a fire wall. The share price should benefit; the merger of Westinghouse's Group W broadcasting subsidiary with CBS's stations does appear to be adding some value, and the split would liberate the media business from the overhang of group debt.

What will be left of the original "core" businesses in a year's time is debatable. It would be logical to sell power generation to a financially stronger owner, and Thermo King, Westinghouse's refrigerated transport division, could also be on the block. Mr Jordan may soon be able to claim he has worked some magic for shareholder value – but only by dumping the group's original businesses for a new portfolio. Perhaps, had he spent less time on deal-making, three years might have been long enough to turn around the old industrial core.

Nuclear privatisation

Go to a closing down sale, and you expect to pick up something cheap. Certainly, the final offering of the British government's great privatisation bazaar – British Energy, the nuclear generator – looks a classic bargain in the making. Inevitably, many investors will fall back on yield-based valuations which underrate the company's potential to gear up and churn out cash. Furthermore, daunted by British Energy's vulnerable revenues and heavy long-term liabilities, they may demand a higher yield than even Railtrack fetched. But in fact, British Energy has a lot going for it.

First, British Energy has at least one big advantage over Railtrack: modest political risk. Threats from the opposition Labour party to interfere with British Energy after privatisation have been conspicuously muted. Second, despite yesterday's fuss over the company's paying an uncovered dividend, the real mystery is why the dividend is not higher. After tax, interest and investment British Energy's cash flow this year should be around £250m. Spending £96m of that on dividends is hardly extravagant.

Third, the strength of British Energy's balance sheet is ludicrous even by the skewed standards of Britain's privatisations. Operating cash flow is likely to cover interest more than eight times this year. And unlike Railtrack's, British Energy's investment needs are modest. Unless the company hands a big chunk of cash to shareholders, it could have no debt at all within three or four years.

Fourth, there should be plentiful scope for cutting costs. British Energy proudly points to manpower reductions of 20 per cent over the last five years. National Power, by contrast, has cut staff by 70 per cent over the same period.

Fifth, the long-term liabilities sound more gruesome than they are. Annual contributions to fund decommissioning costs amount to a mere £16m. Reprocessing costs are a much bigger drain on cash, but these are at least covered by long-term, fixed-price contracts with British Nuclear Fuels.

Such contracts are, though, one cause of an Achilles' heel: British Energy's vulnerability to changes in electricity prices. Because its stations run continuously, and costs are mostly fixed, profits will suffer disproportionately if revenues fall. Still, high operational gearing cuts both ways; profits can benefit from quite small improvements in power stations' performance. Prices are bound to come under pressure in the end – when someone eventually tackles the shortage of competition in the generating market – but that looks some way off. Electricity prices are not, however, the only long-term worry; just as fundamental is the fog surrounding management strategy. The "strategy" in the prospectus is little more than a generalised wish-list: for reasons at best flimsy, the company is enthusiastic about investing in new power generating businesses across the world.

Whether such a classic diversification binge can generate satisfactory returns in the face of hot global competition is doubtful. Worse, there is little to stop the company trying; a golden share protecting the company from takeover, not to mention buckets of cash, means disciplines on management are few. Potential shareholders should demand a more compelling strategy before handing over cash.

Semiconductors

Alarm bells are ringing in the semiconductor industry. Manufacturers expected 20 per cent growth in sales by value at the start of 1996, but forecasts have more than halved. New capacity is being mothballed in the face of overwhelming new supply; in recent weeks, Samsung, NEC, Hitachi and now Fujitsu have reined in expansion. Meanwhile, the world's producers are talking of creating a world semiconductors council – and some cynics suggest this displays a desperate desire for some form of cartel.

Life is certainly tough for manufacturers of commodity semiconductors such as D-Ram memory chips, which have been the focus of the recent investment cull. Many Asian countries are keen to use basic chip manufacturing as a platform on which to build high technology industries, so governments may encourage investment which is otherwise hard to justify. D-Ram chip prices have fallen more than 50 per cent since the start of the year, and there is no short-term prospect of a recovery.

Nonetheless, given this gloom and doom, it is easy to lose track of the fact that industry growth remains spectacular. Even against this backdrop of price cuts, sales should grow more than 8 per cent this year. Higher-technology customised chips have seen little price pressure and Siemens is the only large European manufacturer to produce D-Ram chips. The trend for smaller, more powerful and, above all, cheaper semiconductors will put pressure on the manufacturers of more basic products in the long run. But demand from consumer electronic manufacturers should power a recovery in growth rates in 1997.

Additional Lex comment on UK pre-emption rights, Page 22

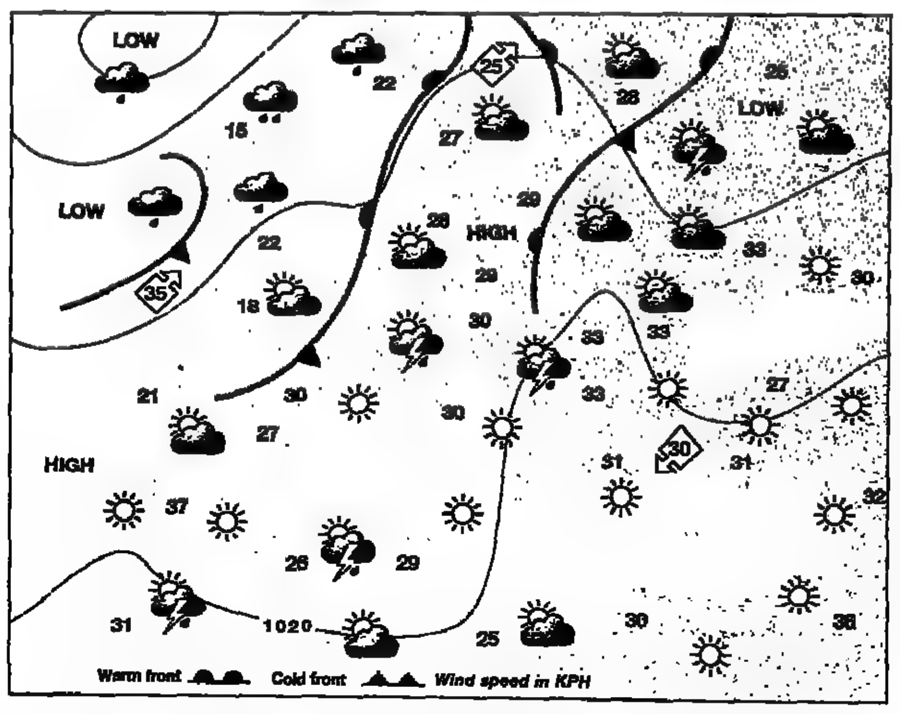
FT WEATHER GUIDE

Europe today

Most of the British Isles will be rather cloudy with patchy rain. South-east England will start sunny and sun will return to Ireland later. Scandinavia will have increasing cloud with rain in the west. The western part of the continent will remain dry and sunny. Southern France and the Iberian peninsula will have abundant sun. Central France and the Alps will have sunny periods interspersed with isolated afternoon thunder showers. Northern parts of the continent will be warm with sunny periods. South-eastern Europe will continue sunny and warm with temperatures exceeding 30C.

Five-day forecast

Thunder showers will continue in France and the Balkan states. Thunder showers may also develop in the warm air over south-eastern Europe. The Low Countries will remain rather sunny, but will turn cooler because of winds from the North Sea. The UK will also become slightly cooler but will stay mainly dry and sunny. Northern parts of the continent will have sunny periods with thunder showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	sun	31	Caracas	fair	31	Faro	sun	28	Madrid	fair	35	Rangoon	fair	34
		Celsius	Belfast	shower	17	Cardiff	rain	18	Frankfurt	thund	30	Majorca	sun	29	Reykjavik	cloudy	9
Abu Dhabi	sun	39	Belgrade	sun	33	Casablanca	fair	25	Geneva	fair	30	Malta	sun	26	Rio	cloudy	24
Accra	shower	31	Berlin	fair	28	Chicago	shower	21	Gibraltar	sun	24	Manchester	rain	19	Rome	sun	30
Algiers	thund	26	Bermuda	shower	28	Cologne	fair	22	Glasgow	rain	16	Manila	thund	33	S. Frsco	sun	22
Amsterdam	fair	23	Bogota	cloudy	19	Dakar	fair	28	Hamburg	fair	25	Melbourne	shower	15	Seoul	fair	30
Athens	sun	31	Bombay	shower	34	Dallas	sun	34	Helsinki	fair	24	Mexico City	thund	22	Singapore	shower	31
Atlanta	sun	30	Brussels	fair	26	Delhi	fair	41	Hong Kong	shower	32	Miami	thund	31	Stockholm	fair	24
B. Aires	fair	17	Budapest	sun	33	Dubai	sun	39	Honolulu	sun	30	Milan	fair	32	Strasbourg	thund	30
B.ham	cloudy	21	C.hagen	fair	22	Dublin	shower	17	Istanbul	sun	27	Montreal	thund	26	Sydney	shower	16
Bangkok	thund	35	Cairo	sun	36	Dubrovnik	thund	31	Jakarta	shower	31	Moscow	fair	25	Tangier	fair	28
Barcelona	fair	26	Cape Town	sun	20	Edinburgh	rain	16	Jersey	fair	21	Munich	thund	29	Tel Aviv	sun	32
									Karachi	fair	37	Nairobi	shower	25	Tokyo	rain	27
									Kuwait	sun	45	Naples	sun	30	Toronto	thund	27
									L. Angeles	sun	24	Nassau	thund	31	Vancouver	sun	18
									Las Palmas	fair	26	New York	fair	28	Venice	fair	30
									Lima	cloudy	18	Nice	sun	28	Vienna	fair	30
									Lisbon	sun	30	Nicosia	sun	33	Warsaw	fair	29
									London	fair	23	Oslo	cloudy	19	Washington	fair	30
									Lux.bourg	fair	27	Paris	fair	28	Wellington	rain	13
									Lyon	fair	31	Perth	shower	21	Winnipeg	sun	27
									Madeira	sun	23	Prague	fair	28	Zurich	fair	29

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday June 11 1996

IN BRIEF

AIG leads Russian investment fund

American International Group, the US insurance underwriter, together with a group of international investors and a US government agency have joined forces to create the largest fund for investment in the former Soviet Union. Page 18

Kirch to unveil digital pay-TV strategy
Kirch, the German film and entertainments group, will today announce its pricing, marketing and programming strategy in preparation for the launch of its digital pay television services, possibly as early as July. Page 19

Canal Plus in offer for rights company
Canal Plus, the French pay TV group, officially lodged with the stock market authorities a friendly offer to take control of UGC DA, the country's largest broadcasting rights company. Page 19

Cepa to spin off Philippine power plants
Consolidated Electric Power Holdings (Cepa), the energy subsidiary of Hopewell Holdings of Hong Kong, plans to spin off its five Philippine power plants into a separate company which will be listed on the Philippine stock exchange. Page 20; Cheung Kong spin-off plan hits shares, Page 20

Citic Pacific cuts HK Telecom stake
Citic Pacific, the Hong Kong-listed arm of Beijing's main domestic and international investment vehicle, fuelled speculation it would bail out of Hongkong Telecom by selling a further 3 per cent of its stake in the colony's telecoms carrier. Page 20

Kellogg slashes cereal prices

A price war broke out in the US breakfast cereal market as Kellogg, the biggest cereal company, slashed the prices of some of its top-selling products in the US by up to 28 per cent. The company tried to put a positive face on the cuts, announcing them with a fanfare in New York. But they were seen as a defensive move following steep price cuts in April by Philip Morris's Post subsidiary, one of Kellogg's biggest rivals. Page 21

Unigate set for European expansion
Unigate of the UK primed investors for continental acquisitions in foods and distribution as it reported a 7.5 per cent rise in underlying profits to £125.3m ($190.5m) for the year to March 31. Page 22

Crédit Lyonnais in fresh government talks
Crédit Lyonnais has been in fresh talks with the French government for several weeks about future financing needs at the bank, according to figures close to the negotiations.

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bilfinger	622	+	8
Henkel	665	+	9
Porsche	910	+	30
Sud Chemie	686	+	11
Volkswagen	562.75	+	8.05
Falls			
Horten	227	–	3.70
NEW YORK ($)			
Rises			
Checkpoint	36¾	+	2¼
Comm Health	52	+	6⅛
Storage Tech	37⅛	+	2⅛
Falls			
Grand Casinos	30¼	–	2
Sterile Con	19¼	–	2
Wackenhut	40¾	–	2
LONDON (Pence)			
Rises			
Caird	343	+	24
Man United	478	+	39
Phytopharm	268	+	50
Symonds	79	+	5
Falls			
Anagen	49	–	20
MAID	315	–	21
TORONTO (C$)			
Rises			
American Eco	13.20	+	1.20
Bre-X Mins	23.90	+	2.45
Ell Eco Logic	15.50	+	1.50
Newport Res	13.25	+	1.45
Falls			
Acklands	12.05	–	0.70
Hummingbird	56.00	–	1.70
PARIS (FFr)			
Rises			
Intertechnique	589	+	8
St Gobain	674	+	12
Soc. General	561	+	10
Falls			
Immobanque	712	–	18
Legrand	919	–	14
Union Immob	420	–	6.50
TOKYO (Yen)			
Rises			
Daimaru	785	+	15
Gunze	685	+	10
Kanematsu	779	+	24
Tokyu	823	+	18
Falls			
Hitachi Zosen	580	–	8
Nippon Fire	678	–	15
HONG KONG (HK$)			
Rises			
Lai Sun Intl	9.85	+	0.45
Ngai Lik Ind	3.625	+	0.125
Ngai Hing Hong	4.50	+	0.175
Yue Yuen Ind	2.025	+	0.125
Falls			
Lumex Hldgs	2.425	–	0.275
Vtech Hldgs	12.70	–	0.30

New York & Toronto prices at 12.30. Bangkok closed.

BA set to seal alliance with American

By Michael Skapinker, Aerospace Correspondent

British Airways and American Airlines are expected today to announce their long-awaited alliance amid strong opposition from rival carriers on both sides of the Atlantic.

US industry sources said opposition to the deal would be even greater if BA retained its 24.6 per cent stake in USAir, another airline, and continued with plans for another "code-sharing" agreement with America West Airlines, a smaller carrier.

The expected code-sharing agreement between BA and American will create one of the strongest partnerships in aviation. The two airlines account for 60 per cent of traffic between the UK and the US, the world's busiest long-haul routes. They also operate 70 per cent of London-New York flights.

Industry sources believe American is also close to concluding a code-sharing agreement with Iberia, the Spanish carrier. The airlines refused to comment.

Code-sharing involves an airline selling tickets on another carrier's flights. This allows an airline to sell seats on routes to which it does not fly itself. BA will be able to sell tickets to destinations on American's vast US domestic network while American will sell tickets for BA's long-haul destinations.

Mr Robert Crandall, American's chairman, has described code-sharing as "profoundly anti-competitive". He has said, however, that his airline was forced to look for code-sharing partners because competing airlines have done the same.

The US government has said it would not approve the BA-American alliance unless the UK agrees to conclude an "open skies" agreement with the US. This would allow US airlines to travel to any airport in the UK, including London's Heathrow, and then on to other countries. The UK is expected to offer the US greater access to Heathrow, but to resist the granting of "beyond rights".

Mr Scott Yohe, vice-president for government affairs at Delta Air Lines, said his company would only accept a BA-American alliance if the open skies agreement was concluded first.

Federal Express, the US cargo airline, is expected to press the White House to veto any open skies agreement which excludes beyond rights. The company has been demanding the right to fly to third countries from the UK. At present, Federal Express can fly to only a few European, Asian and Middle Eastern destinations from the UK. Virgin Atlantic of the UK is also calling on the US and UK governments to veto the BA-American alliance on the grounds that it will give the two airlines too much power.

Letters, Page 14

Swedish carmaker's head departs after four years to join UK engineering group

GM appoints US executive to Saab chief's job

By Hugh Carnegy in Stockholm and Ross Tieman in London

Ins and outs: Keith Butler-Wheelhouse (left) leaves Saab for Robert Hendry to step in as chief executive

General Motors, the world's biggest car maker, yesterday appointed Mr Robert Hendry, one of its top Detroit-based executives, to take command of Saab Automobile, the troubled Swedish manufacturer in which it has a half share. He will succeed Mr Keith Butler-Wheelhouse, chief executive since 1992, who it was announced yesterday is leaving to become chief executive of Smiths Industries, the UK aerospace electronics and specialist engineering group.

Although GM had planned Mr Hendry's appointment for some time, the announcement was rushed out after Mr Butler-Wheelhouse – a Briton – told GM at the weekend of his intention to move to Smiths instead of another post within GM.

Mr Hendry, a member of GM's top executive team with wide-spread responsibilities in North America, will take over on August 1. He was not available for comment yesterday, but Mr Louis Hughes, head of GM's international operations, said the appointment of a senior figure said to be close to Mr Jack Smith, GM's chief executive, "demonstrates our commitment to Saab Automobile going forward".

The task facing Mr Hendry is to prove that Saab can overcome weaknesses which many analysts suspect it cannot.

Saab, in which GM acquired its half share during a race by US manufacturers to obtain European luxury marques, slid back into the red in the first quarter of this year to the tune of SKr333m ($49.3m) after a 13 per cent fall in vehicle sales – and a 21 per cent fall in the US, its biggest market. Since GM bought management control and its stake in 1989, Saab has run up accumulated net losses of SKr9bn and swallowed capital injections by GM and co-owner Investor, the Wallenberg company, of SKr6bn.

GM and Investor are due shortly to agree a new funding package aimed at backing Saab's plan finally to achieve critical mass by increasing output from 100,000 cars a year at present to 150,000 by 2000. It is to launch a new model next year, alongside its present 900 and 9000 models.

Mr Butler-Wheelhouse oversaw changes which sharply reduced Saab's cost base and raised efficiency and quality. But after four years, GM clearly felt new blood was needed.

His move to Smiths appears to resolve the question of who is to succeed Sir Roger Hurn, architect of Smiths' transformation from a clockmaker, and subsequently a motor components manufacturer, into one of the UK's most admired engineers, with annual sales in the year to August 5 1995 of £876m ($1.3bn).

Sir Roger, 58, will surrender the chief executive's role but remain as chairman at least until Smiths' retirement age of 60.

Born in Walsall, in the UK's manufacturing heartland, Mr Butler-Wheelhouse moved to South Africa as a teenager. He worked for Ford in South Africa from 1965 to 1985 before joining GM's local operation. When GM was forced by anti-apartheid sanctions to sell the company in 1987, Mr Butler-Wheelhouse, as chief executive, became a principal shareholder in a management buyout.

Fujitsu postpones Oregon start-up

By Michiyo Nakamoto in Tokyo

Fujitsu, one of Japan's leading semiconductor manufacturers, is postponing the start of production at a new $1bn factory in Oregon by about six months because of a sharp slump in prices for memory chips.

The company said it plans to begin mass production of dynamic random access memory (D-Ram) chips at the facility in the second half of 1997.

The plant is under construction on the site of an existing factory, and Fujitsu is now expected to manufacture a new generation of 64-megabit D-Rams there, rather than the current generation 16-megabit D-Rams as it originally planned.

The decision to delay operations in Oregon follows Fujitsu's decision to halt temporarily a planned £816m ($1.2bn) expansion at its Newton Aycliffe plant in north-east England.

Meanwhile, NEC, Japan's largest semiconductor maker, is cutting production of 16-megabit D-Rams for one month because of the sharp fall in prices, while Korea's Samsung, the world's largest D-Ram maker, said it would cut production by 15 per cent in the second half of the year.

D-Ram prices have fallen sharply over the past six months as production has outpaced demand. Fujitsu believes the market will eventually stabilise as big users, such as the personal computer industry, are still growing strongly.

However, the current market environment, which follows a sharp increase in output due to advances in production technology and new facilities coming on line highlights the cyclical nature of the D-Ram market.

"In the second half of 1995, demand for memories was so high that the market seemed only to be restrained by capacity," Fujitsu said. "In the first half of 1996, the impression that has been given is exactly the opposite."

The slump in memory chip prices will have a significant impact on the profits of Japanese semiconductor producers according to the Nomura Research Institute, a private think-tank.

Yesterday the Institute revised its forecast for the aggregate profits increase of 400 Japanese corporations, excluding financial institutions, from an initial 15.2 per cent to 7.9 per cent because of the weakness of the memory chip market.

Daimler may sell marketing services arm

By Wolfgang Münchau in Frankfurt

InterServices (Debis), the services arm of the Daimler-Benz industrial group, is considering the sale of its Frankfurt-based marketing and advertising subsidiary.

The company said a formal decision on the marketing and advertising division, which made DM800m ($521m) of sales last year, was expected within weeks.

The move comes as part of a wider review of all Daimler-Benz's business areas. Daimler-Benz has already dismantled AEG, the electronics and energy group, and has ended financial support for Fokker, the Dutch regional aircraft maker. Last week, Daimler-Benz Aerospace, (Dasa) sanctioned the sale of its majority stake in Dornier, the loss-making German regional aircraft maker, to Fairchild, the US defence group.

Unlike other Daimler-Benz companies sold over the past 12 months, the marketing services subsidiary of Debis is a profitable division. As part of its review, Daimler-Benz has defined itself as a transportation group and has decided only to retain businesses that fit this definition, as long as they meet a minimum threshold of a 12 per cent return on capital employed. The marketing division is seen as providing a poor strategic fit with the rest of the group.

Debis said yesterday that "a review is currently under way, and a decision is expected shortly. But we are not yet in sales talks."

It said the review was confined to the marketing division, and not the newly-created telecommunications and media services division. If the sale proceeds, Debis's business will focus more closely on its core businesses of car leasing and computer software.

The Debis marketing services division's turnover last year of DM800m was a 42 per cent increase on the previous year, although Daimler-Benz did not disclose profits. The unit operates a range of marketing services including media consulting, market research and advertising.

One of the arguments in favour of a sale is the division's weak connection with other Daimler-Benz companies. About 80 per cent of the customers of Debis Marketing Services are outside the Daimler-Benz group.

Daimler-Benz inquiry, Page 18

Markets welcome ambitious venture with BT

The backbone of MCI's Net battle

British Telecommunications and MCI, its US partner, have for months been laying the groundwork for a pre-emptive strike on the Internet. Yesterday, the planning and investment paid off as markets applauded an ambitious move to capture a substantial share of traffic on the world's fastest growing computer network.

Shares in both companies rose as analysts welcomed further signs of their willingness to take the lead aggressively in pursuing new and potentially lucrative service opportunities.

Yesterday, senior BT and MCI executives, including Mr Vint Cerf, an MCI vice-president credited with co-founding the Internet, claimed the two companies had developed the first integrated global superhighway, a high-speed, high-reliability Internet "backbone".

It is the first time large telecoms operators have attempted to reclaim control and management of the Internet from its present somewhat anarchic state. The new backbone is expected to go live in July this year.

A network backbone can be likened to a motorway capable of carrying large amounts of traffic over long distances. MCI's US backbone already operates at 155 megabits (millions of electronic pulses) a second; the new Concert InternetPlus network is said to provide this speed and capacity globally. BT says it will increase the capacity of the network by about 30 per cent.

The Internet population has been doubling each year since 1988, but it is now being driven by a new phenomenon, the intranet, intra-company networks which obey Internet rules.

According to Mr Rupert Gavin, head of BT's multimedia activities, all the company's top 250 corporate customers are investigating the possibility of installing intranets, driven by the attraction of a company-wide electronic mail system which can also be used to communicate with groups outside. With no end to the growth of the Internet and intranets in view, how long will the new backbone be able to meet the demand? "That is the challenge," Mr Gavin says ruefully. "You have to watch developments on a daily basis."

BT and MCI will operate the new network through Concert, a joint venture established two years ago to compete for the business of large international customers. It is in direct competition with other international alliances, WorldPartners led by AT&T, the largest US operator, and Global One involving Deutsche Telekom, France Télécom and Sprint, the third largest US long-distance operator.

Network will lift capacity by about 30 per cent

How will BT and MCI make money from its new network? The economics of the Internet can be puzzling. Conventional wisdom that telephone calls cost a lot of money – even if charges are declining – seems to be turned on its head. Internet users stay on the line for hours for almost no cost. Clever software making it possible to transmit conversations over the Internet promises international voice calls for next to nothing.

But Telecoms experts explain that Internet economics depend on the statistical probability that only a small number of the potential Internet population will want to use the network at any one time, say, only one in 40.

In this model, transmission capacity can be divided into smaller and smaller chunks and sold on cheaply. These economics made sense when the Internet was used chiefly by a few thousand scientists, engineers and a few enthusiasts with access to computers. With the advent of the home and business computer, however, the volume of traffic is threatening to overwhelm the system.

The provision of Internet services is not, at present, particularly profitable for any telecoms operator. BT and MCI argue the new network has the "industrial strength" to cope with the traffic while offering the partners the chance to charge premium prices for a professionally managed service. In other words, customers will always be able to get on to the Internet and will not have to put up with congestion. It will be up to their service providers, companies which manage access to the Internet, what they are charged for this "first class" service. Mr Gavin believes the new network will be substantially in profit by the turn of the century.

And the threat to international revenues from cheap Internet telephony? BT's experts point out you get what you pay for. A primitive service akin to Citizen's Band radio is possible over the existing Internet. Approach the quality of conventional voice calls, and the cost of providing the service rises accordingly.

BT and MCI's competitors yesterday shrugged off the significance of the new network. Mr John Sidgmore, chief executive of UUNet, MCI's chief Internet rival in the US said it had been long expected: "We are all growing as fast as we are able to install equipment," he said. "This is not a market that is limited by demand."

Alan Cane

AIG leads largest Russia investment fund

By Nicholas Denton in London and John Thornhill in Moscow

Confident in Russia: former Tetra Laval chairman Hans Rausing is part of investment team

American International Group, the US insurance underwriter, together with a group of international investors and a US government agency have joined forces to create the largest fund for investment in the former Soviet Union.

The investors – which include Mr Hans Rausing, the former chairman of Tetra Laval, as well as mainstream US pension funds – had committed $181m by last Friday. The fund is expected to raise $300m.

The fund – the Millennium Fund – has been successfully placed despite the political uncertainty in the run-up to Russian presidential elections on Sunday. It already surpasses the First NIS Regional Fund, for which ING Barings raised $180m.

The fund's popularity owes much to a guarantee from the Overseas Private Investment Corporation, the US government agency mandated to promote the private sector in regions like the former Soviet Union. Opic, which will receive a fee of 0.56 per cent a year as well as a deferred fee of 5 per cent, has guaranteed the principal of investments, thus providing protection from risks such as confiscation.

A subsidiary of AIG has invested $30m in the Millennium Fund. A division of the Brunswick Group, the largest independent equity broker in Russia, has committed $20m along with its clients.

The size of Mr Rausing's investment is not known. However, since liquidating his shareholding in the family business, he has become one of the largest private investors in Russia. Mr Rausing sits on the advisory board of the Millennium Fund.

The fund's primary mandate is to make direct investments in unquoted companies, either alongside industrial investors or alone, in sectors such as natural resources, infrastructure and consumer industries.

The fund will be managed by the AIG subsidiary, with Brunswick providing research and analysis. Mr Roger Gale, former head of the International Finance Corporation in Moscow, will head the fund.

An increasing number of western investors appear ready to commit funds to Russia, which has conducted one of the biggest mass privatisation campaigns in history, and finally appears to have achieved financial stabilisation. Moscow-based investment banks predict foreign money will flood into the Russian equity market if President Boris Yeltsin is re-elected.

Debt market fund, Page 26

Well-oiled Elf unit a giant in niche sectors

Atochem successfully mixes specialisation with diversification, writes Jenny Luesby

Elf Atochem, the chemicals arm of Elf Aquitaine, the French oil producer, which will today announce a £100m ($154.2m) investment in Scotland, is a company built on castor oil. Nylon 11, made from the dark-leaved castor oil plant, is so much more resilient than other plastics, it is compulsory as the coating for lorry brakeliners. Elf Atochem is its only manufacturer.

A product of the French state sector, Atochem has absorbed hundreds of chemical operations during its lifetime – often by edict. But it has been ruthless about disposing of operations it does not want.

As Europe's second-largest plastics producer, behind BASF of Germany, it has retained only two types of businesses: those which add to its range of bulk chemicals, and those which command a colossal share in a niche market.

This fascination with the domination of obscure markets began 50 years ago with the lucrative nylon 11, but by 2000 such products will account for two-thirds of the group's turnover, says Mr Jacques Puechal, Atochem's chairman.

Analysts are inclined to believe him. Ten years ago, speciality chemicals accounted for one-third of the group's sales. Today they equal one half, and the pace of expansion is accelerating.

Atochem has acquired 17 leading speciality business since 1986. It has also picked up clusters of unloved businesses and rebuilt them around a significant research and development programme.

The group is now the largest producer of the glue used in disposable nappies: no mean feat, says vice-president Mr Jean-Bernard Lartigue, when one considers the difficulties of producing a glue that keeps working when wet, allows moisture through, and never irritates a baby.

It is also a leader in solid fuel for rockets, the raw materials for chicken nutrients, hair-perming fluids and catalysts for electro-plating.

But the company is not only interested in specialities. It will today unveil a 300,000 tonne a year polypropylene plant in Scotland, as part of a joint venture with BP. The French group already dominates the UK market for polystyrene and is a leading PVC supplier. It will now be the country's biggest supplier of polypropylene.

Its commitment to these bulk plastics – notorious for their cyclicality – stems from the volume of cash they generate during the good times.

On sales last year of FFr55bn ($10.6bn), Atochem reported operating profits of FFr5bn. The previous year, profits were FFr1.8bn. Some FFr1.5bn of this improvement was attributed to a brief upturn in the market for commodity plastics.

For Mr Philippe Jaffré, who took over as chairman of Elf Aquitaine in 1993, this bonus only served to increase an interest in chemicals that has grown as the profit margins on oil refining have shrunk.

The chemicals arm generated cash of FFr7.6bn last year. In the past, much of this would have been drawn off into the group. Now, Atochem gets the first call on such funds.

It has already boosted its adhesives and electro-plating businesses. Its next priorities are acrylic acid derivatives and sulphur derivatives. It is also expanding regionally. Bulk plastics will remain a European business, says Mr Puechal, but as a speciality chemicals producer, Atochem is going global.

Last year, 36 per cent of sales were in France, 39 per cent elsewhere in Europe, and 25 per cent in America and Asia. By 2000 the company aims to achieve an equal three-way split. Much of this will be through duplicating European businesses elsewhere. Typical are CFC-alternatives. Atochem is one of the top three producers in Europe and America. Its next market will be Asia.

Atochem's earliest foray into the region, decades ago, was as a buyer – it still has castor oil plantations in India and China. The company's development may have been inspired by that early success, but it will return to Asia a far more sophisticated producer than when it arrived.

Daimler finance chief is added to investigation

By Wolfgang Münchau in Frankfurt

Stuttgart prosecutors yesterday extended an investigation into last year's loss forecast at Daimler-Benz to Mr Manfred Gentz, the finance director.

The prosecutors' office said yesterday that Mr Gentz was to be questioned about allegations that the company had withheld information about forthcoming losses at last year's annual meeting.

A group of small shareholders has already filed a criminal suit against Mr Edzard Reuter, the former chairman, Mr Jürgen Schrempp, his successor, and Mr Hilmar Kopper, chairman of Deutsche Bank as well as of Daimler-Benz's supervisory board.

Daimler-Benz yesterday rejected the allegations as being without foundation. The prosecutor's interest in Mr Gentz originates in comments he made at the company's annual meeting last month. Mr Gentz said then that he had been in possession of a document setting out a forecast about the company's six-month losses a day before last year's annual meeting.

But, he said, it had been an internal document based on provisional "unfiltered and untested" data. The document was part of a normal monthly release schedule, detailing the company's exposure to exchange rates and the consequence of exchange rate shifts on earnings. It did not include data that were part of management board discussion.

The investigations against present and former top executives at Daimler-Benz came after a group of small shareholders, critics of the company's management, launched a criminal suit, alleging the company knowingly withheld important information from shareholders.

The company finally issued the loss warning several weeks later, maintaining that it was only then that it had a clear idea of the impact of the weak dollar, one of the main reasons for the sharp decline in operating losses.

NEWS DIGEST

BBV to buy banks from Mexican state

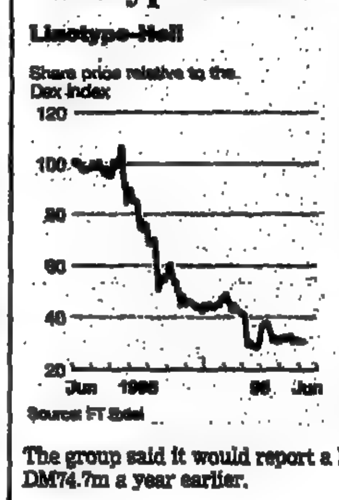
Banco Bilbao Vizcaya, the Spanish bank, is to buy Banca Cremi and Banco de Oriente from the Mexican government, the country's National Banking and Securities Commission said yesterday. No price was disclosed. The acquisition, for which BBV has signed a letter of intent, would double the size of Grupo Financier o Probursa, its Mexican subsidiary, which runs the country's 10th-largest bank. BBV raised its stake in Probursa to 70 per cent in May. "BBV is looking for market share and wants to get a critical mass in retail banking," said Mr Alberto Sánchez, banking analyst at Bear Stearns Latin American Equity Research in New York. BBV announced on June 3 its intention to purchase a 40 per cent stake in the Colombian bank Banco Ganadero.

Although BBV is expanding its assets, analysts think it unlikely it will soon begin to lend aggressively in the Mexican market, where new lending is at a low because of continuing financial problems. BBV will be buying the workable assets of the two banks, both of which have failed over the past two years, with the Mexican government retaining overdue loans for itself. Banca Cremi has been in the hands of government regulators for almost two years after the flight of its owner, Mr Carlos Cabal Peniche. *Daniel Dombey, Mexico City*

Bayer to invest DM18bn by 2001

Mr Manfred Schneider, chairman of Bayer, the German chemicals group, said the company would invest DM18bn ($11.7bn) in the next five years, with DM7bn to be invested in Germany and DM11bn abroad. He told the daily Bild Zeitung that 81 per cent of sales were achieved abroad. He was optimistic the company would have a treatment for Alzheimer's disease within three years. *AFX News, Frankfurt*

Linotype-Hell warns of loss



Linotype-Hell, the troubled German pre-press company, said sales in the first four months fell 6 per cent, while new orders were down 2 per cent. Mr Erwin Koenigs, chairman, told the agm the trend continued further in May. The company said first half sales would fall about 9 per cent from a year earlier to DM400m, leading to a loss in the period of more than DM30m. New orders would fall 7 per cent in the first half, while the order backlog would rise DM10m. However, the company expected a more positive second half.

The group said it would report a loss in 1996, after a net loss of DM74.7m a year earlier. *AFX News, Eschborn*

Consob approves Mediaset plan

Consob, the Italian Bourse authority, said it had approved the prospectus for the initial placement offer of Fininvest's television subsidiary Mediaset. An international investment roadshow is expected to begin in Milan next week. About 20 per cent of Mediaset is expected to be sold, through both a capital increase and the sale of Fininvest's shares, which would lower its stake to below 50 per cent. The price is to be set between L6,000 and L7,200 a share.

AFX News, Milan

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.56	12.16	13.53
0100	16.33	8.00	9.00
0130	16.38	12.43	13.78
0200	16.38	12.16	13.53
0230	16.33	12.43	13.78
0300	16.33	12.43	13.78
0330	16.33	12.43	13.78
0400	16.38	12.43	13.78
0430	16.33	12.43	13.78
0500	16.33	12.43	13.78
0530	8.92	12.51	13.86
0600	8.92	12.51	13.86
0630	15.61	12.51	13.86
0700	16.21	17.26	18.61
0730	17.15	17.26	18.63
0800	19.17	27.10	28.57
0830	22.38	28.80	30.11
0900	33.93	36.40	37.97
0930	50.80	27.56	29.14
1000	54.89	27.66	29.26
1030	57.18	27.68	29.31
1100	61.47	27.69	29.32
1130	61.64	27.86	29.52
1200	64.60	36.61	38.49
1230	68.88	29.07	30.71
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1400	37.06	26.86	28.37
1430	34.43	26.92	28.32
1500	32.89	21.82	23.21
1530	32.40	21.29	23.20
1600	29.40	21.90	23.32
1630	79.00	41.12	42.80
1700	81.83	41.22	42.72
1730	77.88	41.11	42.68
1800	48.82	40.28	42.30
1830	19.97	21.37	22.72
1900	18.39	17.26	18.61
1930	18.12	17.26	18.61
2000	17.29	9.03	9.03
2030	17.22	9.02	9.02
2100	17.22	9.11	9.11
2130	16.78	20.47	21.82
2200	23.34	20.47	21.82
2230	23.34	18.32	19.68
2300	23.34	18.31	19.68
2330	17.21	16.93	18.28
2400	17.21	12.27	13.62

[illegible] Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 [illegible] between [illegible] Monday to Friday.
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Kirch to unveil details of pay-TV service

By Judy Dempsey in Berlin

Kirch, the German film and entertainment group, will today announce its pricing, marketing and programming strategy in preparation for the launch of its digital pay-TV service, possibly as early as July.

The announcement, to be made in Munich by Das Digital Fernsehen (DF1), the marketing division of the Kirch group, is aimed at convincing viewers and advertisers that Kirch is ready to enter Germany's digital television market well ahead of the Bertelsmann group, which is developing a competing system.

Bertelsmann and Deutsche Telekom, Germany's state-owned telecoms group, are heading the Multi-Media Betriebsgesellschaft (MMBG) consortium, which includes ARD and ZDF, the two German state television channels. MMBG has been developing the technology for a decoding box, or "D-box", that allows viewers access to a wide variety of pay-per-view services. Bertelsmann said yesterday the system was "going through trials".

Separately from MMBG, Bertelsmann had hoped to capture European audiences through a digital television alliance with Mr Rupert Murdoch's BSkyB and Canal Plus, the French pay-TV group. But the alliance crumbled last week.

Today's announcement by Kirch puts an end – at least for the moment – to attempts by Mr Martin Bangemann, the European Union industry commissioner, to seek agreement on establishing one standard German decoding box following a meeting in Paris at the weekend. The belief is that two competing systems would split the market; while this would give the consumer choice, it would in fact weaken Germany's – and Europe's – ability to compete with the US.

Although Bertelsmann and Kirch officials have said they might be willing to find a compromise, neither side trusts the other. Since Kirch appears much closer to the launch date, there is a feeling in Munich headquarters that it cannot wait for Bertelsmann.

Kirch's two partners – Vebacom, the telecommunications division of Veba, the German industrial conglomerate, and Metro, Germany's large retailing and discount shopping group – are already in place. They will run the billing, collection, subscription management and sale of the D-boxes.

Even if Kirch launches its digital service before Bertelsmann, both groups still face the same problem: which way Premiere, Germany's only pay-TV channel, will jump. Premiere, owned jointly by Bertelsmann, Canal Plus and Kirch, has 1m subscribers, and is due to break even this year.

How to diversify without becoming a conglomerate

Saint-Gobain's takeover of Poliet has not blurred its focus, chairman Jean-Louis Beffa tells David Owen

Saint-Gobain is displaying signs of becoming a conglomerate, according to Salomon Brothers in London. "[It is] retaining cash and diversifying excessively [and] becoming a difficult-to-value proxy on the overall economy."

This judgment – from Mr Arend Dikkers, a building materials analyst with Salomon Brothers – is evidently not one that finds favour with Mr Jean-Louis Beffa, chairman and chief executive of the French glass, ceramics and insulation company.

"This is not a conglomerate," he asserts a number of times in an interview in his 13th-floor office at the company's headquarters in the futuristic La Defense business district on the outskirts of Paris. "We are not a conglomerate. We shall not be a conglomerate. We shall not be in businesses, like Hanson, which are not related."

The "conglomerate" tag has arisen in the wake of last month's deal with Paribas, the French financial holding company, under which Saint-Gobain is to take control of Poliet in a transaction valuing the building materials and home products group at around FFr15.5bn ($3bn).

The imaginatively structured deal will enable Saint-Gobain to take control of the management of Poliet while initially buying less than 5 per cent of its capital. The rest of Paribas's 56.6 per cent stake in Poliet will be sold to Saint-Gobain in several stages between 1997 and 1999.

The snag, in Mr Dikkers' view, is Poliet's focus on distribution. "Saint-Gobain is an industrial manufacturing company which already has six to eight business units," he wrote in a paper circulated shortly after the deal. "With the acquisition of Poliet, 15 per cent of Saint-Gobain's business will be in distribution, focused on builders' merchants and joinery."

Mr Beffa sees this not as a problem, but an opportunity. "When you are at the end-market part of a business you know, it is going to be very useful for the development of the industrial part," he says. "When you are in the specialised distribution of building materials, you know the consumer's needs. You are able to take account of these needs to prepare the new products of the future. That is why it is helpful to be downstream. But it is no use being downstream in a business where you cannot get information useful for your strategy."

The acquisition of Poliet will also increase Saint-Gobain's exposure to its home market. This, too, might be thought an ill-timed move, with the French economy still sluggish. But Mr Beffa is convinced Poliet can grow at a faster rate than the French economy as a whole. "Poliet has low market shares," he explains. "If you expand the market shares, it's alright. With Saint-Gobain's other businesses, I am more linked to the average growth of the French economy because of my already rather large market shares. It is different with Poliet because I can expand my market share."

The deal is certainly a landmark for Saint-Gobain in terms of sheer size. In the decade since privatisation, turnover has been stuck between FFr60bn and FFr80bn, largely because of the sale of businesses such as the paper and wood operations in 1994. Adding Poliet's 1995 sales of more than FFr22bn to the group's existing turnover puts it within sight of crossing the FFr100bn sales threshold.

One of Mr Beffa's chief aims in his 10 years at the helm of this venerable company, which traces its origins back to 1665 and the foundation of Louis XIV's Royal Glass Works, has been to make it less cyclical. "Everything I have done has been to reduce the cyclicality of the business," he says. "Everything I have done is to make it more international."

Last year, the proportion of group turnover accounted for by France slipped as low as 29 per cent. The company then had more employees in North America than in its home market. With the Poliet acquisition, Mr Beffa says he is "putting the counter back to zero". The company's next expansion, he adds, "is going to be international-oriented again".

Not that he appears to have any really large targets in his sights. Acknowledging that Saint-Gobain still has the financial capacity to make a $1bn acquisition "without a problem", he says in the next breath: "But I am not going to do that."

He continues: "I have enough businesses now. I am going only to make small acquisitions, strengthening each of these businesses. These deals are going to add value because of the immediate synergies with existing businesses."

Meanwhile, he appears to be winning the conglomerate debate. "If you tried to value each division, you would get a valuation very much in line with the current share price," concludes Mr Emilio Alvarez, an analyst with Morgan Stanley. "There is no discount. Why? Because people don't think it is a conglomerate."

Since the announcement of the Poliet deal on May 7, Saint-Gobain shares have outperformed the Paris stock market's benchmark CAC-40 index by around 8 per cent. "I think that is the true response of the market, so I am very confident," Mr Beffa says.

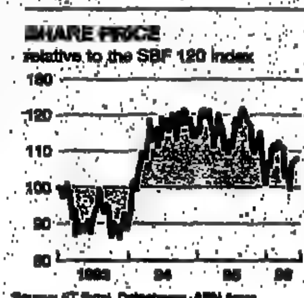
PROFILE

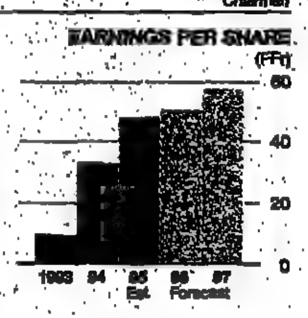
Saint-Gobain

Market value: $19.6bn Main listing: Paris

Historic P/E	19.13
Gross yield	2.49%
Earnings per share (est)	FFr 48.2
Current share price	FFr 674

Jean-Louis Beffa Chairman





Source: FT Extel, Datastream, ABN Amro

Canal Plus lodges bid for control of UGC DA

By Andrew Jack in Paris

Canal Plus, the French pay-TV group, yesterday officially lodged with the stock market authorities a friendly offer to take control of UGC DA, the country's largest broadcasting rights company.

The group is offering one Canal Plus share for every four shares in UGC DA, which values the target at nearly FFr2.7bn ($519.4m), based on the closing value of the stocks at the end of last week.

UGC DA, which is 25 per cent quoted, advised shareholders to participate in the offer. Discussions have already taken place between Canal Plus and the larger investors, which include the parent UGC film group, Paribas, the bank, and Générale des Eaux, the utilities and construction group.

UGC DA, which has a catalogue of 5,000 films, including 2,000 which are non-French, is Europe's second-largest controller of broadcasting rights, after Kirch, the German media group.

Canal Plus has been expanding into audio-visual rights, and already controls some 650 films, including the Carolco catalogue which it acquired earlier this year for $290m.

The battle for control of audio-visual rights is becoming increasingly important, as broadcasters seek material for a growing number of terrestrial and satellite stations.

European film rights are particularly important, given that both French and EU regulations require a significant proportion of films broadcast on television to be of European origin.

Canal Plus launched its own digital television service by satellite for France at the end of April, and is part of an alliance with Bertelsmann and Havas which could lead to similar services across Europe.

It has developed its own encryption technology for pay-TV, but has stressed that the real competition is in content, not in technology – where it has expressed willingness to co-operate with rivals.

NEWS DIGEST

Skanska closer to acquiring target

Skanska, the Swedish construction company, said it had bought 29.2 per cent of the shares and 47.8 per cent of voting rights in Skaane Gripen, the building materials group, from Bure AB for SKr880m ($130.3m).

Skanska said it was also making a public offer of SKr82.50 for each A or B share, and SKr116 for each bonus share. The bid price amounts to a premium of just over 31 per cent for all series of shares over the average share price on the Stockholm Stock Exchange during the past 30 days of trading.

Midway Holding, which holds 6.8 per cent of the votes and 6.2 per cent of the capital in Skaane Gripen, has said it will accept the bid, according to Skanska. The company said the offer was conditional on it being tendered more than 90 per cent of Skaane Gripen's share capital and voting rights, although it reserved the right to complete the offer at a lower level of acceptance. *AFX News, Stockholm*

Raisio aims to match 1995 result

Raisio, the Finnish foodstuffs, animal feeds and chemicals group, said it was aiming to match last year's FM141m ($29.9m) profit before extraordinary items. Raisio said it expected turnover of FM4bn, of which FM1bn would be generated abroad. For the first four months, profits before extraordinary items and tax fell from FM71.4m to FM38.3m, on sales up from FM1bn to FM1.2bn. Earnings per share fell from FM89.6 to FM51.5. *Reuter, Helsinki*

Creditanstalt warns on slowdown

Creditanstalt, the Austrian bank, boosted group operating profits by 40 per cent in the first five months to Sch2.6bn ($240.8m), said Mr Guido Schmidt-Chiari, chairman. At the annual shareholder meeting, he said earnings growth would slow in the second half from last year's high base. But group net income after loan-risk provisions for 1996 would be above last year's Sch2.2bn. *Eric Frey, Vienna*

Strong sales at L'Oréal unit

Synthélabo, the drugs subsidiary of L'Oréal of France, expects 1996 sales to be more than FFr10bn ($1.9bn) and net profit margins to be 9 per cent. First-quarter sales were FFr2.616bn, up 15.1 per cent. *AFX News, Paris*

Nouveau Marché gathers pace

The Nouveau Marché, France's new stock market for fast-growing companies, should reach break-even at the latest by 1998, according the 1995 annual report from the SBF, the operator of the market. During 1995, it incurred losses of FFr3.8m ahead of its official launch in February this year. The SBF overall reported net income of FFr122m, down from FFr183m in 1994, reflecting low volumes of activity on the market. *Andrew Jack, Paris*

Egyptian bank offering

Up to 20 per cent of the share capital of the Commercial International Bank of Egypt will be offered to international investors next month, when the National Bank of Egypt sells part of its 42.6 per cent stake in CIB. The transaction will be the first international equity offering by an Egyptian company. ING Barings is the global co-ordinator of the deal, which is expected to raise $80m to $100m through the issuance of Global Depositary Receipts, for which a London Stock Exchange listing has been requested. *Samer Iskandar*

Cepa aims to list its Philippines power plants

By Edward Luce in Manila

Consolidated Electric Power Holdings (Cepa), the energy subsidiary of Hopewell Holdings of Hong Kong, plans to spin off its five Philippines power plants into a separate company which will be listed on the Philippines stock exchange in the next 10 months.

The planned initial public offering was announced yesterday by Mr Gordon Wu, chairman of Hopewell Holdings, at the opening of Cepa's 700MW coal-fired plant in Pagbilao, 120km south of Manila. It would enable Philippines investors to acquire a stake in the country's largest independent power producer.

"It is premature to say how much we plan to raise." Mr Wu said. "We plan to group them [the five power projects] in to one big infrastructure company which can take on new infrastructure projects. We want to make it a local company."

The offering would add to the small number of foreign companies with a Philippines listing, including Shell Pilipinas, the local arm of the Anglo-Dutch oil group, and Keppel Philippines, the Singapore shipyard group. It would enable to Cepa to raise cash locally, Mr Wu said.

The final go-ahead for the listing would depend, however, on resolution of a 12-month-old dispute with the government over its disqualification last year of a Cepa bid for a 1,200MW gas-fired power plant.

Although it submitted the lowest bid, Cepa's US$2bn tender was disqualified because it included technology from Westinghouse Electric of the US, which at the time was banned from the Philippines owing to a legal dispute with the government.

The dispute has since been resolved, but the government says it will press ahead with its plans for a re-bid for the plant later this year. Mr Wu said the incident had "left a bad taste in the mouth" but would not prevent Cepa proceeding with its IPO by 1997.

Philippines analysts said yesterday the Cepa Philippine listing would be well-received. "Cepa is a good company with a strong international reputation," said Mr Matthew Sutherland, chief researcher at Asia Equity Securities in Manila.

"Cepa's shares might be a little unexciting though, because its projects operate on a guaranteed return basis, with guaranteed cash flows and guaranteed yields. In other words it would be a safe but somewhat conservative bet."

Cepa is credited with having ended the Philippines' "brown-out" crisis three years ago, when power shortages lasted up to 12 hours a day. Under the country's build-operate-transfer laws, the Hong Kong company was able to restore permanent electricity supply to most of Manila within months. The standard BOT contract lasts 25 years before ownership is handed over to the state.

Reuter

Gordon Wu: Philippines investors will be able to take stake

Infrastructure spin-off plan hits Cheung Kong shares

By Louise Lucas

Shares in Cheung Kong fell yesterday after the property developer announced initial details of the proposed spin-off of its infrastructure business. The flotation will raise between HK$3.1bn and HK$3.5bn (US$452m), analysts were told yesterday.

Cheung Kong Infrastructure (CKI), which takes in power plants, bridges, highways and construction materials businesses in China and Hong Kong, is the latest hived-off infrastructure company to tap the market for funds.

New World Infrastructure was spun off at the end of last year from the developer New World Development, raising HK$1.8bn. In late 1994 Hopewell Holdings set a record with the HK$5.9bn flotation of its power projects, Consolidated Electric Power Asia (Cepa).

The CKI shares are to be sold at a discount of between 5 per cent and 15 per cent to the net asset value, which will put a price tag of between HK$11 and HK$12.65 on the new shares. Ninety per cent of the issue will be placed internationally and the rest in Hong Kong.

But while Cheung Kong's share price fell from HK$56.25 to HK$55.50, analysts who attended yesterday's more detailed presentation – given after the market closed – believed there were more benefits for the parent than CKI. Cheung Kong will retain around 70 per cent of CKI after the listing and the new company will have total assets of HK$17.1bn-HK$17.6bn.

One analyst said: "You are talking about very little dilution. The entire book cost of these projects is only HK$3.7bn – the new money is equivalent to that and they will still own some 73 per cent of the company."

Analysts noted that more than 70 per cent of CKI's profits this year will come from the group's cement and concrete activities in Hong Kong. One broker said: "Quite a few people, including me, are quite sceptical about the construction business. Profit growth is fuelled by the infrastructure boom in Hong Kong.

"They [CKI] supply a lot to the new airport, and the private sector is also very buoyant. But after the infrastructure boom – which will probably end in 1998 when the new airport is finished – will further growth be achievable?"

CKI says it is addressing this by looking at opportunities elsewhere in the region, such as the Philippines.

The size of the issue means heavy oversubscription is unlikely, and brokers further claim the issue has not been cheaply priced. Stock will be offered on a price/earnings ratio of 18.5 to 21 times 1996 earnings. New World Infrastructure, preferred by many for its wider exposure – for example, it is in the container terminal business – trades on a p/e ratio of about 20.

NEWS DIGEST

Telekom Malaysia buys mobile unit

Telekom Malaysia, the country's dominant telecoms group, is buying the telecoms unit of Malaysian Resources Corp in a move to increase its penetration of the fast-growing mobile phone market. Telekom said it would buy the entire 200m shares of MRCB Telecommunication for M$640m (US$256m) at an unspecified date. The deal will add MRCB's 11,500 cellular phone subscribers to Telekom's 96,000, strengthening the former monopoly in its weakest area.

It also presents a challenge to Technology Resources Industries and its partner-to-be, Deutsche Telekom of Germany. TRI is the nation's biggest mobile phone operator. Deutsche Telekom signed a letter of intent last month to acquire 20 to 22 per cent of TRI for about M$1.2bn. Mr Mohd Said Mohd Ali, Telekom's chief executive, said the company planned more acquisitions and was in negotiations with two or three companies. *James Kynge, Kuala Lumpur*

■ Titan Industries, India's largest watch maker and part of the Tata group, posted a 29 per cent rise in operating profits to Rs775m ($22.3m) on the back of a 25 per cent growth in turnover to Rs3.51bn in the year to March. Net profits, however, grew only 9.88 per cent to Rs276m as interest costs jumped from Rs218m to Rs342m and depreciation claimed Rs157m, against Rs131m a year earlier.

Earnings per share rose from Rs5.93 to Rs6.52. The company has proposed a higher annual dividend of Rs3.3 a share, against Rs3. Earnings from exports rose from Rs188m to Rs374m. Mr Xerxes Desai, managing director, said the improvements came despite delays in setting up a chain of jewellery boutiques and the high cost of opening up the European market. *Kunal Bose, Calcutta*

■ Teck Corporation, the Canadian mining group, is to invest in two small Australian goldmining groups. It said that it would spend about A$6m (US$4.75m) on a 15 per cent stake in the Perth-based Camelot Resources group, which produces about 60,000 ounces of gold a year from the Mt Gibson mine. The Vancouver-based group will also fund almost A$1m of exploration work at Pine Creek, in the Northern Territory, by Northern Gold, in which Camelot holds a 40 per cent interest. Teck will receive shares and options in Northern. It will also have the right to earn a 50 per cent interest in Northern's regional tenements in return for funding a feasibility study there, should a reserve of more than 400,000 ounces be established. *Nikki Tait, Sydney*

Citic Pacific reduces HK Telecom stake

By Louise Lucas in Hong Kong

Citic Pacific, the Hong Kong listed arm of Beijing's main domestic and international investment vehicle, yesterday fuelled speculation it would sell out of Hongkong Telecom by disposing of a further 2 percentage points of its stake in the colony's telecoms carrier.

The sale of 226.17m shares, which raises HK$3bn (US$388m), comes just five months after it sold another 2 per cent tranche, and reduces its stake to 8 per cent.

Mr Vernon Moore, deputy managing director of Citic Pacific, said the sale – to an undisclosed third party – was purely commercial. "Somebody was willing to buy at a price we considered very reasonable, and we have refocused our business somewhat towards aviation."

But the price received, at HK$13.30 a share, or a 6 per cent discount to Friday's closing price of HK$14.15, was sharply below the HK$14.35 achieved in January.

Citic Pacific plans to channel the funds raised in to its recently announced infrastructure projects, in particular water treatment plants at Nanjing and Wuxi in China.

The group has a conservative gearing, of 15 per cent, which will drop to 10 per cent after yesterday's sale.

Hongkong Telecom has been the focus of much speculation in the colony since the merger talks between British Telecommunications and Cable and Wireless, majority holder of Hongkong Telecom, collapsed.

Moreover, the deal engineered between the commercial arm of China's aviation regulator, Citic Pacific and Cathay Pacific, the colony's de facto airline carrier – which in effect handed China a slice of Hong Kong's aviation market – has led many observers to believe Hongkong Telecom will have to undergo a similar ownership shake-up to better prepare it for the transfer of sovereignty to China next year.

One possibility being discussed in the market is that China's Ministry of Post and Telecommunications will be brought in.

Citic Pacific, having taken a big stake in Cathay Pacific, is regarded as being less likely to be coerced into representing China's interests in telecoms as well.

Profits rise sharply at Japanese life groups

By Emiko Terazono in Tokyo

Japanese life insurers results

	Total assets Yen bn	%	Premium revenue Yen bn	%	Recurring profit Yen bn	%	Investment yield Yen bn	%
Nippon	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.71	[illegible]
Dai-Ichi	27,393.1	5.3	4,091.7	0.2	212.0	100.9	2.68	-0.26
Sumitomo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.31	[illegible]
Meiji	16,829.2	6.2	2,697.6	2.5	177.9	190.4	3.28	-0.01
Asahi	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui	10,286.8	6.2	1,687.1	0.1	47.5	829.2	3.95	1.95
Yasuda	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.40	[illegible]
Chiyoda	6,449.5	0.7	994.6	-10.2	16.3	-	3.57	2.26

Source: Companies

Japan's leading life insurance companies reported sharp rises in recurring profits – before tax and extraordinary items – for the year to last March.

The improvement was due to increases in asset management revenues, but the companies continued to face low investment returns as a result of record low interest rates.

Companies such as Dai-Ichi Mutual Life and Sumitomo Mutual Life posted profits on domestic bond and foreign securities sales, boosting asset management revenues.

Costs on asset management declined due to the recovery in the Tokyo stock market, which helped cut appraisal losses on stock holdings. Chiyoda Mutual Life returned to the black after posting losses in the previous year – the first leading life insurer since 1945 to do so.

To cut costs, Nippon Life said it had reduced executives' pay by 30 per cent and planned to eliminate 2,000 jobs over the next two years, while Sumitomo also pledged to cut 2,000 jobs and trim bonus payments for employees by 4 per cent.

For the current year the life insurers said premium income was expected to be flat or lower than last year.

Unrealised gains on stock holdings, which are not included in profit and loss statements, rose sharply because of the recovery in the Tokyo stock market.

Combined unrealised profits on shares jumped from Y4,623bn a year earlier to Y11,466.2bn ($105bn).

Premium revenues were sluggish at most companies, except Nippon Life Insurance, which posted a strong increase after a 15 per cent rise in income from individual pension insurance.

Although other companies also benefited from increases in premium revenues for individual pension insurance, they suffered from declines in group insurance contracts.

The combined revenue for the eight companies totalled Y22,610.2bn, a 0.6 per cent increase from the previous year. Insurance benefit payments rose at all the insurers.

Net profits were affected by bad loan write-offs. The insurers reported a total Y1,641.5bn in overall bad loans, including Y564.1bn to the *jusen* housing loan companies, and wrote off a total Y856.5bn.

On the investment side, record low money market rates affected investment yields. Since the insurers have an average annual rate of interest on their liabilities of about 4.5 per cent, they have been forced to realise earnings on securities and cut interest on new policies and withhold dividend payments.

Insurers said that apart from the promised yield, some 40 to 50 per cent of their policyholders would not be paid the extra dividends.

Overall investment in foreign currency assets declined because of caution over foreign currency losses. The combined balance of foreign currency assets fell 8.9 per cent to Y6,966.5bn at the end of last March.

LEGAL NOTICES

1ST STOP D.I.Y. LIMITED

Registered Number: [illegible]
Nature of business: DIY Merchants
Trade classification: [illegible]
Date of appointment of Joint Administrative Receivers: 4 June 1996
Name of appointor: Barclays Bank PLC
[illegible] and NEIL TOMBS
Joint Administrative Receivers
(office holder nos [illegible] and [illegible]) of
[illegible], Centre City Tower, 7 Hill Street, Birmingham B5 4UU

FLORETTA FOODS LIMITED

Registered Number: [illegible]
Trading name: FLORETTA
Nature of business: FOOD MANUFACTURERS
Trade classification: 4
Date of appointment of Joint Administrative Receivers: 3 June 1996
Name of appointor: Midland Bank PLC
NIGEL RUDDOCK and [illegible]
Joint Administrative Receivers
(office holder nos [illegible] and [illegible]) of
[illegible], 1[illegible] City Road, London EC1Y 2HU

Kellogg joins price war in US breakfast cereal market

By Richard Tomkins in New York

Arnold Langbo and Tony put a positive spin on the cuts Reuter

The price war in the US breakfast cereal market escalated yesterday as Kellogg, the *biggest cereal company*, slashed the prices of some of its top-selling product by up to 28 per cent.

The company tried to put a positive spin on the cuts, announcing them with a fanfare in New York. But they were seen as a defensive move following steep price cuts in April by Philip Morris's Post subsidiary, one of Kellogg's biggest rivals.

Kellogg acknowledged the price reductions would result in a slump in earnings per share from 77 cents to 5 cents in the second quarter to June, and said it expected earnings per share for the full year to be no higher than last year's.

US cereal companies' share prices fell as Wall Street responded to the threat of *tumbling profits. Kellogg was off* $2⅛ at $72 in early trading, General Mills fell $1⅝ to $55¾, *and Ralcorp, a large maker of* private label breakfast cereals, dropped $⅞ to $23⅞.

Separately, Ralcorp announced it expected profits to fall this year because of the "*negative pricing trends*". It said it was cutting 100 jobs as part of a plan to trim costs by $25m-$30m a year.

Kellogg said prices to retailers would fall by an average of 19 per cent on brands comprising about two-thirds of its US business. It said the price of Kellogg's Frosted Flakes, its best-selling product in the US, would fall 18 per cent.

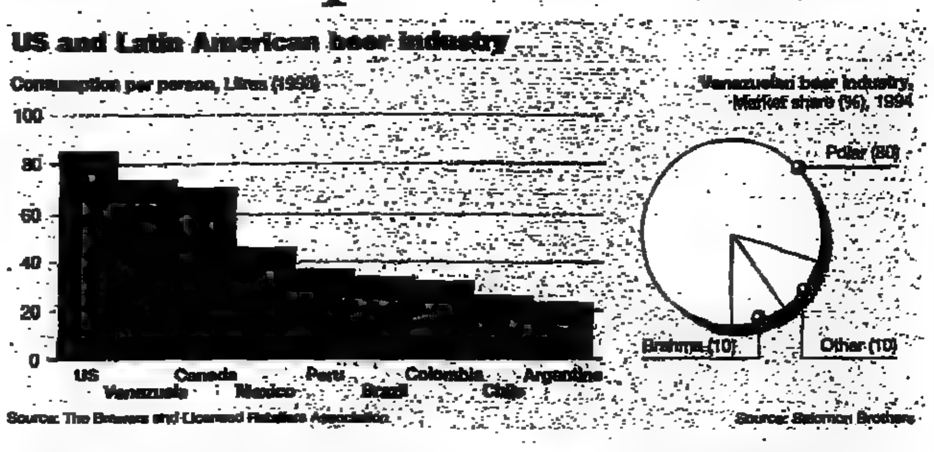
The company said it would *also cut the distribution of* money-off coupons. Only 2 per cent of the coupons printed were redeemed, *it said*.

Mr Arnold Langbo, Kellogg's chairman and chief executive, *said the price cuts had been* made possible by cost savings achieved through a global *streamlining* initiated last year. This included a 15 per cent cut in the US workforce.

However, Mr Langbo acknowledged that the company had also seen a fall in its market share since the decision by Philip Morris in April to cut the prices of its Post and Nabisco branded cereals by an average of 20 per cent. Philip Morris also reduced the distribution of coupons.

US cereal companies have traditionally maintained high list prices for their products, *but lowered effective prices* at the check-out with coupons and special offers. Their *change in strategy* has been forced by increasing competition from lower-priced products and private label brands.

Empresas Polar pursues a lone course



As the beer war in Latin America heats up and international brewers forge alliances with regional partners to capture a share of the market, Empresas Polar, Venezuela's food and beverage *group, remains a lone wolf.*

While large brewers such as Anheuser Busch, Heineken and Miller *have entered* the Latin American market through local partners, Polar *feels unhurried* and is *betting* on gradual, calculated expansion with no outside assistance.

"In the beer industry, it's very difficult to bite a chunk out of someone else's market," says Mr Lorenzo Mendoza, who heads the Polar group's executive board and is one of the principal shareholders.

He adds that in almost all Latin American countries "the market is dominated by one or two usually very strong players". Putting a dent in their market share is a tricky business. With the wrong approach, he says, "you can lose your shirt".

Polar itself has been fending *off inroads into the Venezuelan* market by Brahma, the Brazilian brewer, but maintains 95 *per cent of the market.*

Polar thinks little of strategic alliances. "We don't believe in *third-party producers or distributors*," says Mr Mendoza, "nor in acquiring a market's third or fourth-ranked producer. You may be able to acquire a minority share in a leading company, but it's very rare that the number one or two company sells out or gives you the necessary control of their business."

In the meantime, Polar kicked off its own expansion plan into the neighbouring markets last August, when it refitted one of its plants close to the border with Colombia and began exporting to its western neighbour.

Avoiding capital costs of a new plant but investing in its own distribution system, Polar *captured 15-30 per cent of the* market in the extended frontier region that it reaches.

The *key to penetrating new* markets as well as maintaining control over the Venezuelan market, says Mr Mendoza, is the company's own distribution system.

It allows Polar to target marketing efforts, and have direct contact with customers, as well as to ensure freshness and constant supply of the product.

Unlike other regional and international beer companies which target up-scale consumers with massive advertising campaigns, Polar's no-frills *advertising strategy is out to* convince by cost and quality.

The company is cost compet*itive, says Mr Donald de Vost,* Polar's chief financial officer, because it is reaping the bene*fits of having invested heavily* in automated production lines some years ago.

Timely expansion of production plants to anticipate future demand has allowed Polar to increase sales continuously but also to maintain utilisation of capacity between 75 and 90 per cent.

Yet transportation costs inhibit reaching more distant markets, and Polar does not see exports accounting for much more than the current 5 per cent of total sales. In order to reach further west into Colombia, including the important Bogota market, Polar is now considering a $150m green-field operation in Colombia.

Mr Mendoza cautions that setting up a green-field operation *only makes sense once a cer*tain market presence has been gained and have the market has been thoroughly studied. "If you have less than 10 to 15 per cent of the market, the big players will squeeze you out. If you don't have a good base, you can lose a lot of money."

As traditional consumer behaviour changes and more Venezuelans drink beer at home rather than in the neighbourhood tavern, Polar has moved into the retail business, acquiring a share in two department stores as well as a *supermarket chain.*

The group's sales last year reached a record $1.8bn, *roughly 60 per cent of which* came from beer. Polar has long since reached its growth poten*tial in Venezuela's domestic* beer market and for some time has been developing other export products.

Once the production of its Altagracia vineyards, which were started from scratch just over a decade ago, exceed domestic demand next year, the dry whites and champagne will hit international markets.

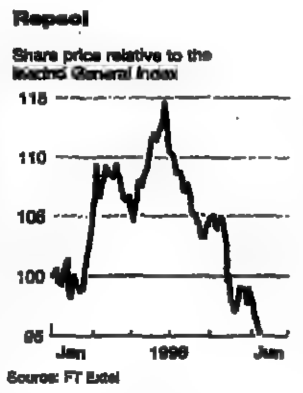
Yet the largest growth potential lies in Polar's food-processing division. The company has snack food operations in nine countries, *has begun exporting* cornflour to Colombia, and will soon expand its rice and corn *processing by acquiring plants* in Colombia and Peru or set up its own plants there.

"Food processing has enormous potential," says Mr Mendoza, and unlike the beer market, it is not dominated by a few strong groups.

Raymond Colitt

Repsol has to dig deep to win Astra

By David Pilling in Buenos Aires



Repsol has finally found a firm toehold in South America. But the $360m paid by the Spanish hydrocarbons conglomerate for a 37.7 per cent controlling stake in Argentina's fifth-biggest energy group raised eyebrows in Buenos Aires.

"The market, ourselves included, was surprised by the high price paid by Repsol – $3.11 a share, far above the current price of $2.35," said one analyst at the local Banco República. The bank does not believe Astra's fundamentals justify a price of more than $2.10 to $2.20 a share.

But *Astra proved a tantalising* bait for many. J.P. Morgan, which negotiated the sale, *is reported to have held talks* with several companies, including Texaco and Mobil of *the US, as well as Argentina's* YPF and Perez Companc.

Such interest allowed negotiators *to drive up the price*, with the $360m final offer valuing the 37.7 stake at 3 times Astra's proportional earnings for 1995.

In addition to Astra's oil and gas stakes, which represent about 5 per cent of Argentine production, Repsol gains Astra's operating contract in the substantial Quiamare-La Ceiba oil field in Venezuela.

Astra also has a 32.5 per cent stake in Eg3, Argentina's fourth-largest retail and service station group, as well as participation in a refinery, the *Buenos Aires gas distributor* Metrogas, electricity companies and a shipping fleet.

As well as the assets, Astra will give Repsol important experience in Latin America's *most deregulated energy envi*ronment. Analysts say this could prove invaluable if Rep*sol is to increase its Latin* American presence as the continental energy market deregulates.

Repsol, which has interests in Mexico, Colombia and Venezuela, is also hoping to enter the Peruvian market.

Peru's government is today due to announce the winner of an auction for a 60 per cent stake of La Pampilla refinery, in which Repsol is participating as part of a consortium with Mobil and YPF.

Forstmann in $1.4bn healthcare acquisition

By Lisa Bransten in New York

Community Health Systems, a Tennessee-based hospital management company, agreed yesterday to be acquired by Forstmann Little, the New York buy-out firm, in a deal valued at $1.4bn including debt.

The deal is Forstmann's first venture into the healthcare sector and its largest single investment.

Forstmann will put up $1bn of its own capital – nearly half of the $2.3bn it recently raised for new acquisitions – and *Chase Manhattan, the New* York bank, will provide $900m in loans.

In early trading, shares of Community Health rose $8⅝ to Forstmann's offering price of $52, which represents a 20 per cent premium to their closing price on Friday.

Founded in 1985, Community Health has focused on buying hospitals in rural areas that dominate those markets.

Community said it intended to continue acquiring hospitals in rural areas and had no plans to move out of its niche.

The deal will provide the hospital company with $500m to step up the pace of its acquisitions. Community Health said it would retain its management team.

Forstmann said it intended to begin a tender offer for *shares today and complete the* acquisition in July.

هكذا من الأصل

NatWest to buy Greenwich for $600m

By Nicholas Denton

National Westminster Bank is expected today to announce a $600m acquisition in the US designed to further the UK clearing bank's ambitions to develop a leading international securities business.

NatWest, in its second acquisition in the US within a year, is acquiring Greenwich Capital Markets, the Connecticut-based broker, from Long-Term Credit Bank of Japan, the country's leading lender. Greenwich will give NatWest a position in the trading of US government bonds and related derivatives, in addition to the UK group's equities business, and the corporate finance boutique run by Mr Eric Gleacher and acquired last year.

The funding for the acquisition, which is expected to cost $600m once executive stock options are realised, will come from the disposal of NatWest's retail operations in the US, announced last year. NatWest, like at least a dozen European commercial banks, is seeking to reduce its exposure to retail banking and increase its presence on the securities markets on which corporate clients increasingly finance themselves.

Before its latest acquisitions, it had lagged behind Barclays de Zoete Wedd, the investment banking subsidiary of Barclays Bank, in establishing itself as a credible international competitor to the largest US investment banks.

NatWest, which was advised by its own corporate financiers, including Mr Gleacher, was identified a month ago as a potential acquiror of Greenwich, among several other institutions.

LTCB acquired Greenwich for $140m in 1988. Even after accounting for the yen's appreciation, it will enjoy a substantial profit. The proceeds from the transaction, on which LTCB was advised by JP Morgan, will assist in covering LTCB's losses in lending.

In September last year, the bank's bad loans totalled about Y1,300bn ($12.4bn), 6.7 per cent of its total lending. Most were accumulated from lending during the years of the so-called bubble economy of the late 1980s.

Greenwich employs more than 400, serving 2,000 customers, with average daily clearing volume in excess of $20bn.

Price war holds back Salvesen

By Patrick Harverson

The UK supermarket wars took their toll on Christian Salvesen, the distribution and specialist hire group, which yesterday reported a drop in pre-tax profits from £104.1m ($158.23m) to £77.6m in the year to March 31.

Although the decline was exaggerated by a big gain from disposals the previous year, pre-exceptional profits remained virtually flat at £76.6m (£77.7m).

Profits from continuing activities were £1.7m higher at £80.7m, on turnover of £770m (£646m).

The £1.8m drop to £43.4m in operating profits at the group's logistics business underlined the problems Salvesen is encountering in the UK grocery distribution market, where cut-throat competition between supermarket groups has squeezed margins hard. The business was also affected last year by the switch to Sunday trading, which lifted costs.

In addition, deregulation of the German transport market left the group with trading losses of £2m. Fortunately, consumer and industrial logistics continued to grow strongly, helping Salvesen further reduce its dependence on food distribution, which last year accounted for 31 per cent of the European business, against 53 per cent in 1993.

In contrast to the situation in Europe, US food distribution contributed an 8.4 per cent increase in profits to $13.9m (£9.1m).

Aggreko, the division which rents out power generators and air conditioners, performed strongly, with profits climbing 30 per cent to £30.7m. The unit's largest market is the US, where it has won the contract to provide power and temperature control equipment to this year's Atlanta Olympic games.

The summer drought's impact on vegetable production was behind a 12 per cent fall in food services processing volumes, which left profits £1.5m lower at £6.6m.

Earnings per share were 18.8p (26.8p), from which a final dividend of 5.15p will be paid, making a total of 8.65p (8.4p).

Unigate set to expand

By Roderick Oram, Consumer Industries Editor

Unigate yesterday primed investors for continental acquisitions in foods and distribution as it reported a 7.5 per cent rise in underlying profits to £125.3m ($190.5m) for the year to March 31.

With £171m net cash thanks to disposals last year, Unigate is looking for targets to build on its existing activities in dairy products and spreads or to take it into new areas. In distribution, it is prepared to double the size of Wincanton, its logistics business, as it helps its customers develop pan-European logistics.

"We rejected a share buy-back because we see a number of opportunities to invest wisely in the business," said Mr Ross Buckland, chief executive.

Institutions would support acquisitions after management succeeded in reshaping the group with some £900m of disposals or small acquisitions over the past five years, Mr Buckland said.

The pre-exceptional figure was slightly ahead of most forecasts. Net exceptional gains totalled £173.7m, within which a £59.5m loss on disposal of its US restaurants partially offset a £212.3m gain on the sale of its stake in Nutricia, the Dutch foods group, and £22.1m from the disposal of Giltspur, the exhibition company.

There were net exceptional losses of £58.3m in the previous year, of which £55.1m was for restructuring its dairy business.

The pre-tax figure emerged at £299m (£58.3m).

Operating profits from fresh food rose 49 per cent to £49.3m on sales up 33 per cent to £1.09bn, reflecting improvements at Malton bacon and St Ivel spreads and dairy products in the UK and a first contribution from France. BSE would have no significant impact on this year's earnings.

Profits from UK dairies fell 8 per cent to £35m on turnover down 2 per cent at £466m.

Wincanton's operating profits rose 6 per cent to £22m.

Lydia van der Meer

Ian Martin, chairman: looking for continental targets

News Intl arm plans digital broadcast

By Raymond Snoddy

News Digital Systems, the technology subsidiary of Mr Rupert Murdoch's News International, is planning to launch digital data broadcasting on an experimental basis.

The company will distribute a wide range of information, such as the complete electronic text of national newspapers or the most popular sites on the World Wide Web, to PCs in a matter of seconds.

"We are trying to act as a catalyst to demonstrate what the technology can do," said Mr Abe Peled, chief executive of News Digital, put together from the advanced products division of National Transcommunications and News Datacom, specialists in conditional access systems for satellite television. Mr Peled, a former senior executive at IBM, believes the delivery of vast amounts of information by satellite is about to become an important business.

Specifications have already been put to manufacturers with the aim of producing a card retailing at $250 to plug into PCs, so they can receive the huge bursts of information. News Digital has no plans to be an information supplier other than to kick-start what could turn out to be a new, cost-effective medium.

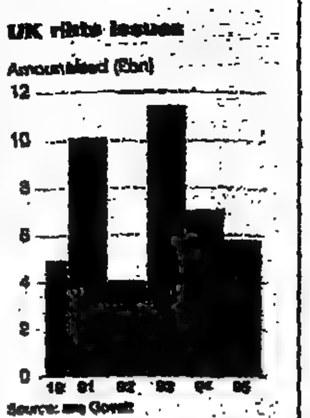
Mr Peled says investment per potential user can be reckoned in tens of dollars, against more than $1,000 for the two-way alternatives promoted for the "superhighway".

News Digital is also working with DirectTV in the US, which is planning to launch a similar product next year in a joint venture with Microsoft.

LEX COMMENT

Pre-emption rights

Even the Labour party, it appears, has cottoned on to the illogical rules governing UK pre-emption rights. Currently, if a company wants to make an acquisition, it can issue up to 25 per cent of its share capital without needing shareholder approval – as long as it pays in shares. But if it wants to issue shares for cash, it is restricted to 5 per cent. More than that, and it has to launch a rights issue at a discount to the market price and pay a 2 per cent underwriting fee for the privilege. The concern is that along with these fixed underwriting commssions – already being investigated by the Office of Fair Tradng – pre-emption rights are inflating the cost of capital for ritish companies. While this is hard to prove, it is certair true that the UK is stronger in industries with little nd for capital, such as pharmaceuticals, publishing and funcnanagement, than capital-intensive ones like cars and shiptilding.



The best way of ensuring a compe'ive cost of capital is to introduce competition. A standard rhts issue may well be the most appropriate way of raisinmoney. But companies should also be free to use book-biding, bought deals or deeply discounted, non-underwrittenrights issues. Relaxing pre-emption rights from 5 per cent to more liberal 25 per cent of share capital would produce grter flexibility and still leave really big deals subject to shanolder approval.

Strong European growth helps Electrocomponents

By Christopher Price

Electrocomponents, the distributor of electronic, electrical and mechanical components, yesterday unveiled a 15 per cent rise in annual pre-tax profits from £86.1m to £99.2m, ($150.8m) as it reported strong growth across its UK and continental European markets.

However, the group cautioned over repeating the same rate of growth in the current first half after reporting a moderate downturn in demand in Europe's leading economies. Mr Roy Cotterill, chairman, said last week's cut in UK base rates had been "absolutely necessary" to stimulate demand.

Turnover rose 18 per cent to £559.9m. In the UK, which accounts for two-thirds of group revenues, operating profits increased by 12 per cent to £75m on sales 15 per cent higher at £368m. Mr Robert Lawson, chief executive, said while margins had remained steady, increased expenditure in new warehousing and in expanding the product line had dentl profits growth.

Ectrocomponents distributes 45,000 catalogues in the UK, nd carries 63,000 product line During the year, it put its dalogue on CDRom and the ternet.

In urope, profits rose 60 per cent o £6.4m on sales 40 per centahead at £106.1m. There was lso strong growth in its burgoning south-east Asian operions, where sales rose 25 per cent, although profit growh was pegged to 12 per centat £3.7m on sales of £18.6.

Tl group has no debt an £42m cash, a fall of £20m on last year, which was due largy to investment in a new wareouse in the UK.

M Lawson said the company woul use its cash pile to completits European distribution covage, with gaps in the Netrlands and Belgium to fill, a well as expanding its presnce in the southern Mediterraean region.

Soth-east Asia also remned high on the agenda for rther investment.

Bank of Scotland shares ease as bid talk recedes

By George Graham, Banking Correspondent

Bank of Scotland's share price slipped yesterday when Standard Life, the insurance company, quelled speculation over a possible bid by announcing that it would sell most of its 32.2 per cent stake through a secondary offering, rather than to a single bidder.

Soundings over the past four weeks failed to drum up a bidder willing to pay above market price for the entire stake.

The bank's shares had surged above 270p after it became known that Standard's stake was for sale. Even after falling 16½p yesterday to 248p, the price remained higher than before the announcement.

Standard Life will pick an investment bank in the next week to co-ordinate the sale of a substantial part of its £940m ($1.43bn) stake to a syndicate of institutional investors through a book building exercise.

Standard bought its stake for £155m from Barclays Bank in 1985, not long after a hostile bid from Hongkong and Shanghai Bank for its Edinburgh competitor, Royal Bank of Scotland, had been blocked by the Monopolies and Mergers Commission amid a blaze of Scottish economic nationalism.

Early hopes that the alliance might lead to a more concrete partnership have produced little. But Bank of Scotland's strong profits record has helped the stake to grow six-fold. Today it accounts for some 7 per cent of Standard's UK equity portfolio. "It has been a superb investment," Mr Bell said. Standard Life is expected to keep a small stake in Bank of Scotland.

StanChart to sell Nigerian stake

By George Graham in London and Paul Adams in Lagos

Standard Chartered, the UK-based international bank, plans a public offering to sell its remaining 9.9 per cent stake in First Bank of Nigeria.

Standard said the decision to pull out reflected its policy of focusing on its core international banking businesses. African subsidiaries returned profits of £51m last year, but the group's focus has been on Kenya, Zambia, Zimbabwe, Botswana and Ghana.

Standard Chartered's share in First Bank, Nigeria's oldest and largest bank, was cut by nationalisation in the 1970s. In 1994 the government's majority stake was sold to the Nigerian public, leaving Standard Chartered, with 38 per cent, as the largest shareholder but without control.

To avoid this status Standard Chartered sold down to 9.9 per cent, worth about N495m ($6m) but it has now decided to sell the remainder.

First Bank and the three other ex-state-owned commercial banks also face a government threat to take back control through the compulsory acquisition of a "golden share". This has depressed the banks' shares and will make a flotation of Standard Chartered's remaining stock difficult. United Bank for Africa faces the same threat but its main offshore partner, Banque Nationale de Paris, has retained its 30 per cent stake.

Since the Nigerian government last year removed the 40 per cent limit on foreign holdings in banks only one multinational has acquired a majority stake in a local bank: Citibank, which now has 75 per cent of the successful Nigerian International Bank.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding div	Total for year	Total last year
Acal	Yr to Mar 31	136.8	(108)	10.2	(8.21)	30.1	(25)	5.65	Aug 1		8.4	7.44
Berisford	6 mths to Mar 30	242.8	(158)	11.9♠	(11.1♥)	6.8	(8.7)	1.5	July 19		-	5
Care UK	6 mths to Mar 31	9.83	(6.55)	1.[illegible]	(1.18)	3.16†	(2.07)	0.33	July 15	[illegible]	-	0.75
Cropper (James)	Yr to Mar 30	57.6	(49.7)	1.85♠	(2.57)	13.7	(19.6)	2.8	Aug 16	[illegible]	3.9	[illegible]
Dee Valley Water	Yr to Mar 31	11.8	(11.5)	5.81	(4.46♠)	40.32	(24.94)	9.67	July 25		14.5	10.617
Dominion Energy	Yr to June 30	0.587	(0.168)	3.31L	(0.114L)	7.2L	(0.3L)	-	-		-	-
Electrocomponents	Yr to Mar 31	559.9	(472.6)	99.2	(86.1)	15.8	(13.7)	4.8	Aug 12		6.8	5.625
Electronic Data	6 mths to Mar 31	7.9	(6.3)	1.51	(1.81)	3.93	(4.55)	0.667	Aug 5	[illegible]	-	2.15
Ensor	Yr to Mar 31	16.3	(14.7)	0.448	(0.404)	1.5	(1.4)	0.25	Aug 2	[illegible]	[illegible]	[illegible]
Eurodollar	Yr to Mar 31	96.2	(85.9)	3.78♠	(14.6)	6.15	(19.97)	1	Aug 6	[illegible]	4.12	7.8
Field	Yr to Mar 31	201	(167.8)	18.2	(15.4)	24.2	(20.2)	[illegible]	Sept 23	[illegible]	8.5	7.7
Full Circle Info	Yr to Mar 31	7.2	(6.02)	0.645L	(0.977L)	0.821L†	(1.89L)	0.1	Oct 1	[illegible]	[illegible]	0.25
IDC Intl ф	6 mths to Mar 31	1.39	(0.641)	0.208♠	(0.084L)	1.7	(1L)	-	-		-	-
Renold	Yr to Mar 30	179.3	(148.7)	18.7	(11.6)	[illegible]	(13.6)	4.5	Aug 8	3	[illegible]	4.5
Rowlinson Secs	Yr to Mar 31	13.8	(12.9)	3.31	(2.79)	18.64	(14.03)	2.26	Jul 24	[illegible]	2.57	2.34
Salvesen (C)	Yr to Mar 31	700	(646)	77.6	(104.1♥)	18.8	(26.8)	5.15	Aug 5		[illegible]	8.4
600	Yr to Mar 31	[illegible]	(116.8)	13.4♠	(5.74♠)	20.7	(9.2)	3.25	Aug 16	[illegible]	4	2
[illegible]	6 mths to Mar 31	8.92	(8.56)	0.303	(0.21)	2.1	(1.8)	1.3	Aug 28	[illegible]	-	[illegible]
Treatt	6 mths to Mar 31	15.9	(13.5)	1.31	(1.52)	9.19	(13.43)	1.9	Oct 4	[illegible]	-	5.8
Unigate	Yr to Mar 31	2,134	(1,893)	299♥	(58.3♠)	113.2	(19.8)	12.65	Aug 5	[illegible]	19.2	18.2
Widney	6 mths to Mar 30	18.8	(18.7)	0.71	(0.96)	4.02	(6.03)	1	Oct 7	0.95#	-	3.4375#
Wynnstay Props ф	Yr to Mar 25	1.53	(1.28)	0.373♥	(0.247)	10.3	(7.2)	3	July 23	[illegible]	4.5	[illegible]

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. фAim stock. ‡Includes 2.5p Foreign Income dividend. #Adjusted for share consolidation.

Eczema trials boost for Phytopharm

Phytopharm, a specialist in turning herbal remedies into modern medicines, yesterday announced encouraging results from clinical trials of its lead product, a treatment for the skin disease eczema, writes Clive Cookson.

Zemaphyte, an extract of 10 plants used in traditional Chinese medicine, produced a "highly significant" reduction in the symptoms of 65 patients in seven UK hospitals, whose eczema had not responded to current therapies.

Phytopharm floated on the London stock exchange in April. Its shares were then priced at 175p, valuing the company at £54m. Yesterday they closed up 50p at 268p.

Dr Richard Dixey, chief executive, said Phytopharm expected to submit a UK product license application for Zemaphyte this month. The company estimates the world market for Zemaphyte as a treatment for serious eczema at more than £300m a year. European marketing rights have been sold through Fisons to Rhône-Poulenc Rorer. It is also developing medicines for less severe skin disease.

Allders shareholders reject BAA's offer

By Christopher Brown-Humes

The way was cleared for Swissair to acquire the duty-free business of Allders, the UK department store group, yesterday, after Allders shareholders voted to reject a £130m offer for the unit from BAA, the airports operator.

The rejection was expected after Allders last week agreed to sell its duty-free operations to Swissair for £160m in cash. This deal is likely to be put to Allders shareholders for approval in the first week of July.

BZW was lead manager in the DM250 million 5.125 per cent issue for The Republic of Austria due May 2004.

April 1996

BZW was lead manager in the US$200 million 6.125 per cent issue for Oesterreichische Kontrollbank AG due November 1999.

April 1996

Westpac Banking Corporation

BZW was lead manager in the US$500 million floating rate note issue for Westpac Banking Corporation due April 1998.

April 1996

BZW was lead manager in the US$275 million 6 per cent issue for European Investment Bank due April 2000.

March 1996

Morgan Guaranty Trust Co of New York

BZW was lead manager in the A$135 million 8 per cent issue for Morgan Guaranty Trust Co of New York due April 2001.

March 1996

ABBEY NATIONAL

BZW was joint lead manager in the FF1,000 million 6 per cent guaranteed issue for Abbey National Treasury Services plc due February 2004.

February 1996

General Motors Acceptance Corporation of Canada Limited

BZW was lead manager in the C$100 million 6.75 per cent issue for General Motors Acceptance Corporation of Canada Limited due December 2001.

February 1996

LANDESBANK RHEINLAND-PFALZ

BZW was lead manager to the DM300 million 4.875 per cent guaranteed issue for LB Rheinland-Pfalz Finance B.V. due March 2000.

February 1996

European Bank for Reconstruction and Development

BZW was joint lead manager in the DM1,000 million 4.875 per cent issue for European Bank for Reconstruction and Development due February 2001.

January 1996

BZW was joint lead manager in the £400 million 7.625 per cent issue for European Investment Bank due December 2006.

January 1996

FIRST HYDRO

BZW was sole underwriter in the £400 million 9 per cent issue for First Hydro Finance plc due July 2021.

January 1996

National Australia Bank

BZW was joint lead manager in the US$500 million floating rate note issue for National Australia Bank Limited due February 1997.

January 1996

BAA

BZW was lead manager in the £250 million 8.5 per cent issue for BAA plc due March 2021.

January 1996

ABBEY NATIONAL

BZW was joint lead manager in the DM250 million 4.625 per cent guaranteed issue for Abbey National Treasury Services plc due February 2000.

January 1996

Landesbank Schleswig-Holstein Girozentrale

BZW was lead manager in the US$200 million 5.375 per cent issue for Landesbank Schleswig-Holstein Girozentrale due February 1999.

January 1996

BANQUE INDOSUEZ

BZW was lead manager in the £150 million floating rate note issue for Banque Indosuez due January 1999.

January 1996

Bank Austria

BZW was lead manager in the DM250 million 4.5 per cent issue for Bank Austria AG due December 1999.

January 1996

State Bank NSW

BZW was lead manager in the A$100 million 7.75 per cent issue for State Bank of New South Wales due February 2001.

January 1996

BZW was joint lead manager in the £200 million floating rate note issue for Bradford and Bingley Building Society due March 2002.

January 1996

GE Capital

BZW was lead manager in the DM300 million 4.5 per cent issue for General Electric Capital Corp due December 1998.

January 1996

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LAW

Judgments in complex fields

EUROPEAN COURT

The European Court of Justice has ruled that where it gives a judgment annulling legislation in a complex field, such as milk quota legislation, it does not require or enable member states to disapply the offending legislation in other cases before further European legislation has been adopted. Nor does the judgment itself give rights to individuals which may be relied on.

The case arose out of proceedings brought by H&R Ecroyd Holdings and Rupert Ecroyd against the Ministry of Agriculture, Fisheries and Food in the English High Court.

They claimed that provisions of the European milk production quota scheme, which excluded them from the grant of a special reference quantity, were invalid.

The UK court stayed the proceedings and referred to Luxembourg two questions: whether the regulation in question was invalid; and, if so, whether the UK had a power or duty to award a provisional special reference quantity to the two applicants in the light of an earlier decision of the court in another milk quota case and before further legislation had been enacted?

The UK court also asked whether if the UK had such a power or duty, the applicants were in principle entitled to damages for the refusal to grant such a special reference quantity and how damages were to be assessed.

This case was the latest in a series of decisions by the court concerning the legality of European provisions concerning the allocation of milk quotas to producers who had earlier participated in the temporary non-marketing system set up by the European Union, and who had not delivered or sold milk during the reference year adopted for the allocation of quotas.

Several aspects of the legislation had already been declared invalid by the court and following these decisions further European legislation was adopted with the intention of curing the invalidity found.

In the present case the court ruled that the legislation was invalid insofar as it prevented the allocation of a special reference quantity to Ecroyd Holdings. The actual refusal to allocate was in accordance with the European rules then in force. These had subsequently been held to be invalid by the court in the Wehrs case.

The Council of Ministers then adopted new legislation to cure the invalidity, but this was only a partial implementation of the judgment in the Wehrs case and still excluded Ecroyd Holdings. Could Ecroyd Holdings rely on the Wehrs judgment and so receive an allocation, even though it was not covered by the amending European legislation?

The court ruled that it could not. Having stated that the conclusions which could be drawn from such a ruling of invalidity in national legal systems depended directly on European law as it stood in the light of that ruling, the court observed that the milk quota system was a complex one.

It therefore concluded that following the ruling in Wehrs, but before the relevant legislation had been amended, the state of the law relevant to the present case did not of itself and without readjustment of that system, permit the allocation of a special reference quantity to a producer in the situation of Ecroyd Holdings.

Before the adoption of further European legislation intended to cure the invalidity found in such a case, the competent national authority therefore had no duty to award a special reference quantity to producers who found themselves in the same or similar circumstances.

C-127/94: R v Ministry of Agriculture, Fisheries and Food, ex parte H & R Ecroyd Holdings and Rupert Ecroyd, ECJ 5CH, June 6 1996.

BRICK COURT CHAMBERS, BRUSSELS

Fernand Schockweiler
The president of the European Court has announced the death on June 1 of the Luxembourg judge, Fernand Schockweiler, 61.

INTERNATIONAL PEOPLE

Isetan honorary chairman Kosuge ready to bow out

Kuniyasu Kosuge, the 51-year-old great grandson of the founder of Isetan, the prestigious Japanese department store chain, will resign from his post as the retailer's honorary chairman later this month.

Kosuge, who took over from his father as Isetan's president in 1984, was forced to give up his post to Kazumasa Koshiba in 1993. With one of his major projects, a tie-up agreement with Barney's of New York, having turned sour, he has volunteered to step down from his current role.

The Japanese retailer is currently embroiled in a legal battle against Barney's over the tie-up arrangement. In 1989 Kosuge and the Pressman family made an agreement whereby the New York retailer supplied Isetan with its expertise. Isetan in return funded Barney's expansion in the US.

However, since Kosuge gave up the helm, the new management has refused to continue pouring money into Barney's. In the year to last March, Isetan posted its first net loss since it was listed in 1961, due to write-offs of its loans to Barney's.

Kosuge's departure will be finalised at a shareholders' meeting on June 27. Ever since Isetan was founded by Tanji Kosuge in 1886, the Kosuge family has reigned over the retailer. Kosuge's resignation from Isetan's board will cut all remaining ties except a 0.43 per cent stake held by the founding family. *Emiko Terazono*

Cheung adds Macau

Cable and Wireless, the telecommunications group, is continuing to beef up its management in the Asia Pacific region. Linus Cheung (left), chief executive of Hong-Kong Telecom, in which C&W has a majority stake and which is the principal source of the UK group's profits, has been appointed chairman of Companhia de Telecommunicacoes de Macau, the local telephone operator for the tiny Portugese colony off Hong Kong.

Cheung will thus be responsible for the development of the telecoms business in both Hong Kong and Macau. CTM is a private organisation in which C&W has a 51 per cent stake. He takes over there from Peter Burleigh, who goes to the new position of director of China development.

Cheung's new responsibilities come only as matter of weeks after Richard Goswell, formerly head of Mercury One2 One in the UK, took the new post of chief executive, Asia Pacific operations, with responsibility for Indonesia, Thailand, Singapore and the Pacific Islands. *Alan Cane*

HK monetary move

Norman Chan, who last week became the third deputy chief executive of the Hong Kong Monetary Authority (HKMA), the colony's de facto central bank, is a high flier who takes on the newly created post at a key time – one year before Hong Kong reverts to Chinese sovereignity.

Chan, 41, is the only locally born Chinese deputy: his colleagues, David Carse and Andrew Sheng, are respectively British and Malaysian Chinese. He attended university in Hong Kong and rose through the ranks of government to become deputy director of the Office of the Exchange Fund, a body which merged with the Office of the Commissioner of Banking to form the HKMA in 1993.

He found himself in the spotlight early last year, when the Hong Kong government – in company with many governments around Asia – was faced with an attack on the currency in the wake of the Mexican peso crisis. In Hong Kong Chan was widely credited with fending off the speculators.

His new portfolio will include monetary management, market infrastructure and – possibly the stiffest challenge, as endeavours to date have been largely fruitless – developing the debt market. *Louise Lucas*

Reilly breaks through

Michael Reilly, a senior executive in Europe for Calsonic, the leading Japanese car components group, has been promoted to the board, making him one of the handful of European managers to reach the boardrooms of major Japanese companies.

The appointment, which must still be confirmed at Calsonic's annual meeting this month, crowns a long career in the motor industry, starting with Vauxhall Motors, the British subsidiary of General Motors.

However, Reilly's transfer to his present employer came about more by accident than by design, following the Japanese company's acquisition of Llanelli Radiators, the Welsh car radiator business formerly owned by British Leyland and bought out by employees and management in 1987.

After the purchase by Calsonic in 1989, Reilly became president of Calsonic International (Europe). Under his leadership, the operation has tripled sales to £150m, extended its manufacturing base and broadened its product range.

Reilly's elevation comes hard on the heels of the appointment of Henry Wallace, a Scot, to the presidency of Mazda, the Japanese carmaker controlled by Ford. *Haig Simonian*

Simon beefs up board

Simon Engineering, the restructured UK group which last year returned to profit, has appointed two non-executive directors to the board of its Australian subsidiary, which is also to have a new managing director in August when Lionel Hanney steps aside. His successor is Nigel Bowra, 52, who joins from Baulderstone Hornibrook Engineering. However, Hanney, 65, will stay on with the Australian company as deputy chairman.

The two new non-executive directors are Richard Woolcote, a former diplomat who was most recently secretary of Australia's department of foreign affairs and trade; and Tony White, a former executive director of Mount Isa Mines.

ON THE MOVE

■ James Buckley, senior vice president and president of APPLE COMPUTER's Americas division, has resigned after 11 years with the group. Under a reorganisation, six executives will report to Gilbert Amelio, Apple's chairman and chief executive. They include Marco Landi, chief operating officer; George Scalise, chief administrative officer who joined Apple in March; Fred Anderson, chief financial officer, who joined on April 1; Satjiv Chahil, senior vice president for corporate marketing; and Douglas Solomon, vice president for strategic planning. Amelio will serve as chief technical officer pending the appointment of a permanent incumbent.

■ Janusz Sliwocki has stepped down as president of SWARZEDSKIE FABRYKI MEBLI, the Polish furniture maker, for health reasons. A successor will be chosen after July 25; Julian Nuckowki, a board member, is acting president.

■ Kathleen Browne has been elected vice president and controller of W.R. GRACE & Co of the US.

■ Philippe Bruggisser, chief operating officer of Swissair, has replaced Otto Loepfe, Swissair's chief executive, as chairman of CROSSAIR.

■ Shelly Schwab has retired as president of MCA TV, but will remain on the board as a consultant to the syndication division of MCA Television Group. No replacement has yet been named.

■ Joel Manby, a regional manager for General Motors' Saturn unit in the US Midwest, rises to president and chief executive of SAAB CARS USA.

■ John Hunt becomes regional manager of LEHMAN BROTHERS' Asian bond business, in a move described as part of its strategy to maintain an active role in the region's growing debt markets. Before joining Lehman Brothers a year ago as a senior derivatives specialist, Hunt was a director at CS First Boston with responsibility for Asian emerging markets risk management.

■ Deep Kapur has been appointed as director and chief regional strategist for SALOMON BROTHERS' Singapore-based Asian equities business, with a remit to develop the firm's regional equities investment strategy.

■ Carol Werther, a portfolio manager at Rothschild Asset Management, joins John Schroer as co-portfolio manager of the $1.2bn INVESCO Strategic Health Sciences Portfolio. Timothy Miller is to manage the $750m Invesco Growth Fund as well as the the $800m Invesco Dynamics Fund, where Douglas Pratt has resigned. Dalton Sim takes charge of the $447m Invesco Strategic Financial Services Portfolio.

■ Harry Klagsbrun has been appointed CEO of Alfred Berg, the Swedish investment bank owned by ABN AMRO. Currently deputy managing director and head of corporate finance, he succeeds Carl-Diedric Hamilton who has been appointed chairman of the global equity directorate within ABN AMRO.

■ AOL EUROPE, the joint venture of Bertelsmann and America Online, has appointed Heinz Wermelinger as president and CEO. He succeeds Bernd Schiphorst, CEO since April 1996, who will become executive vice president of multimedia at Bertelsmann. Wermelinger was most recently vice president of marketing at AOL Europe.

■ Bruce Bond, managing director for British Telecom's National Business Communications, has been named president and CEO of ANS, the data networking subsidiary of America Online.

■ Roy Dingle has been named director of marketing for Europe at CSC (Computer Sciences Corporation). He is the former European marketing director at Andersen Consulting and a former director of IBM Europe.

■ James Ringler, 50, PREMARK president & chief operating officer, becomes president and CEO following demerger of Tupperware Corporation. He replaces Warren Batts, who continues as chairman of Premark and chairman and CEO of Tupperware.

■ Paul Sacher did not stand for re-election to the board of ROCHE at the recent annual general meeting but has been appointed an honorary member. Lukas Hoffmann and Jakob Oeri have stepped down from the board. Rolf Hänggi, a vice president and member of the board of directors at Zurich Insurance, Andreas Oeri, and André Hoffmann, have been elected members of the board.

■ Leung Chun Ying, managing director of C Y Leung, has been appointed a non-executive director of HONGKONG ELECTRIC.

■ Helmut Woelki has been appointed chairman of LSG LUFTHANSA Service Holding. Guenter Roethig becomes deputy chairman and Marc Bamberger joins the board. Woelki and Roethig are stepping down as managing directors at LSG Lufthansa Service Deutschland and will be replaced by Horst Bueltmann and Lutz Heyer.

■ Peter Di Giammarino, 42, vice president and business area manager at American Management Systems, has been appointed president and chief operating officer at HYPERION SOFTWARE.

■ Jack Witmer, 65, has been appointed president of MCGRAW HILL's educational publishing group. Addison 'Buzz' Ellis, 49, succeeds Witmer as president of Glencoe/McGraw Hill.

■ William Biggar, senior vice president of The Horsham Corporation, has been appointed senior vice president, investments, of BARRICK GOLD.

■ Raymond Protti has assumed the position of president and CEO of the CANADIAN BANKERS ASSOCIATION, succeeding Helen Sinclair. He was most recently federal deputy agriculture minister.

■ Sergio Goldman has been appointed as head of PARIBAS CAPITAL MARKETS and BBA CREDITANSTALT's joint equity research venture in Brazil. Before joining Paribas, Goldman was managing director of Brazilian equity research for two years at Bear Stearns.

■ Paolo Melacini, previously managing director of EDISON GAS (part of Montedison), has been elected chairman of the company.

■ Joseph Kaminski, 57, has been elected to the board of AIR PRODUCTS AND CHEMICALS. John Jones, 45, currently president of air products Europe, becomes executive vice president, gases and equipment, Robert Gadomski, 49, executive vice president, chemicals, and Ronaldo Sullam, 55, takes over as president of air products Europe.

■ Chr Bjelland, 42, president of Chr Bjelland & Co in Norway, has been elected chairman of KVAERNER ASA, the holding company for the Kvaerner group. He succeeds Kasper Kielland. Director Svein Erik Amundsen has been elected as deputy chairman. He is vice president of shipping company Bergesen.

International appointments

Please fax announcements of new appointments and retirements to +44-171 873 3926, marked for International People. Set fax to 'fine'.

COMMODITIES AND AGRICULTURE

Copper trading calmer at LME

By Kenneth Gooding, Mining Correspondent

Volatility in the copper market caused by a ferocious struggle for supremacy between some of the biggest metal merchants and the biggest US hedge funds eased a little yesterday. But analysts suggested that it might be the quiet before another storm - one that might be triggered when the London Metal Exchange releases details of copper stocks today.

Some analysts remain convinced that China is short of copper, will start buying substantial quantities soon and expect this to show in the LME statistics before long. Others say rumours of potential Chinese buying have been in the market for so long they are no longer credible.

LME stocks are still very tightly held and anyone short of metal for delivery on a particular date in the near future is having to pay dearly for it.

Copper for delivery on the LME in three months ended at US$2,245 a tonne in after-hours trading yesterday, up $35. The premium for immediate delivery eased to $270 a tonne after touching $300 at one point. The premiums for delivery in June and July were about $140, down from $200 late last week.

Rumours of huge profits and losses being made from last week's wild swings in copper's price continued. Traders said "serious money" was involved and pointed to the mid-session margin call by the London Clearing House on Thursday, which brought in $700m.

EBRD 'likely to double backing for CIS mining'

By Kenneth Gooding

The European Bank for Reconstruction and Development is likely within two or three years to double the US$170m it has so far provided to back mining and metals ventures in the former eastern bloc, according to Mr Stephane Baverez of the EBRD's natural resources group.

His group has another eight to ten projects in the pipeline and one very close to board approval. The bank is also considering backing Russian gold mining companies directly rather than only those involved in joint ventures with foreign partners.

He said at a meeting with the Association of Mining Analysts that the EBRD was focusing on gold because that was what foreign investors wanted. It was very unlikely that the bank would back any other type of metal mining projects although it might consider processing ventures such as aluminium smelters.

EBRD so far has backed three gold projects: one in Uzbekistan where Newmont Mining of the US is involved in the Zarafshan joint venture; one in Kyrgyzstan where Cameco of Canada has the Kumtor joint venture; and the third in Russia, where Cyprus Amax of the US is involved in the Kubaka venture.

Mr Baverez pointed out that between them these would produce an annual 1.5m troy ounces of gold.

He said the bank and the joint venturers had learned some important lessons about operating in the former Soviet Union, not the least that it was difficult to budget because logistics were complex and untried, because local labour productivity was untested and because it was impossible to predict the impact of inflation on costs.

Success required an attractive resource, dedicated partners, perseverance, and political support from the domestic government.

Raw jute shortage forces closure of Indian mills

By Kunal Bose in Calcutta

An acute shortage of raw jute and record prices have forced the closure of several jute mills in India. Others are trying to cope with worsening fibre supply by reducing the number of shifts and also the working hours per shift.

An Indian Jute Mills Association official said eight of the 59 jute mills in West Bengal had stopped production altogether. "Except for about half a dozen financially rich jute factories, which continue to work 21 shifts a week, the others are run for 12 to 18 shifts a week," he said. "We have told the West Bengal government that many more factories will put up the shutters in the coming weeks." West Bengal is the centre for growing raw jute and producing jute goods.

The situation is even more alarming in Andhra Pradesh, the second most important jute goods centre. According to the industry officials, all the major units in the southern state have stopped production and the chances of their reopening soon are ruled out. Orissa and Madhya Pradesh have also reported a sharp fall in production of jute goods in the past few weeks.

The price of TD-4 jute, the Indian benchmark grade, is Rs1,860 ($53.14) a quintal, compared with Rs1,210 a year ago. "Never in the past had jute commanded such a high price. The mills are, however, not able to pass on the extra cost on account of fibre to the consumers. At the prevailing price of Rs21,000 a tonne of standard jute bags, the mills are losing nothing less than Rs4,500 a tonne," said Mr Shankar Ladia, spokesman for the Jute Balers' Association.

At a recent IJMA stock-taking it was found that in the first ten months of the current season, to April 1996, the industry had consumed 7.07m bales (180kg each) to produce 1.22m tonnes of jute goods. IJMA thinks that the mills will at the most be able to procure another 800,000 bales in May and June.

"It is too late in the day to think of importing raw jute from Bangladesh or any other country. While Bangladesh is left with very little exportable surplus at this stage, the imported fibre will prove to be too very expensive for the Indian mills. BTE, the Bangladeshi grade equivalent to Indian TD-4, costs $500 a tonne, to which is to be added handling and transportation charge," said Mr Ladia.

"We are scraping the barrel. The mills may not finally get 800,000 bales in May and June. The total supply of fibre in the current season is not more than 8.6m bales, including the opening stocks of 900,000 bales, a crop of 7.6m bales and imports of 100,000 bales. The other users of jute like the paper mills and rope makers will claim nothing less than 600,000 bales. A large-scale closure of the jute mill industry is, therefore, on the cards," said an executive at a large mill that is finding it difficult to procure jute to run even 12 shifts a week.

What IJMA is most worried about is that the next jute season, beginning July 1 will open with virtually no stocks of fibre. However, the new season fibre will start arriving in the market from end-July.

In which the meantime, the Indian mills are finding it difficult to sell jute goods in the world market at the prevailing high prices. "We used to sell large quantities of jute bags for packing rice in the Middle East. We are fast losing that market to synthetic substitutes. The European countries have also cut down on the import of jute bags because of their high prices," said the IJMA official.

Wider horizons seen for South African aluminium

Mark Ashurst on a value-adding project in KwaZulu-Natal, the country's 'Aluminium Province'

KwaZulu-Natal is still plagued by political violence and desperate poverty, but it is gaining a new reputation among South African industrialists as "The Aluminium Province".

"Generally, South Africa exports dirt," says one Johannesburg gold analyst. "We dig it up and we sell it to people. But in aluminium, there is the making of a real industry. All the different stages of the manufacturing cycle are entering a stage of tremendous growth."

Aluminium is fast replacing steel as the metal of choice for items as diverse as drinks cans, car radiators, toothpaste tubes and skyscrapers. The consequent surge in demand from local manufacturers has enabled Hulett Aluminium, the sole supplier of semi-fabricated sheet, foil and plate to myriad downstream industries, to increase output from 25,000 tonnes in 1985 to more than 55,000 tonnes last year. Over the same period, world demand for aluminium has grown steadily at just 2.5 per cent a year.

In April Hulett embarked on the first stage of a R2.4bn (US$550m) expansion that will triple output at its factory in Pietermaritzburg, KwaZulu-Natal, to 150m tonnes a year over the next five years. This follows a R6.4bn investment in Alusaf's primary aluminium smelter at neighbouring Richard's Bay, which was officially opened by President Nelson Mandela earlier that month. The new smelter is the largest private sector capital project yet undertaken in South Africa. Hulett is its biggest local customer.

The semi-fabricated aluminium producer has also bucked the national trend among other capital-intensive manufacturers who are streamlining their product range in pursuit of longer production lines and economies of scale. While domestic car manufacturers, for example, are building fewer models in greater numbers, Hulett will manufacture aluminium in at least 5,000 different shapes and sizes. "It is the most interesting and versatile metal in the world," says Mr Des Winship, chief executive. "Most of its future applications have not been invented yet."

South Africa is well placed to exploit this potential, largely because of the competitive advantage of a cheap energy supply. As President Mandela commented at the opening of the Alusaf smelter: "By using electricity generated from our abundant supplies of coal to produce aluminium, the smelter will contribute to the drive to add more value to our primary products before export."

Alusaf will export about 500,000 tonnes of primary aluminium a year, earning at least R1.5bn a year in foreign exchange. It is a mark of the industry's coming of age that doubts over the viability of such a huge project have been superseded by plans to build a second export-driven smelter at the nearby Mozambican harbour-capital of Maputo, using surplus energy from the Cahora Bassa hydroelectric dam.

By contrast, the Hulett expansion depends on the growth of local downstream industries. "We are in the wrong place to be a huge exporter, but we weren't able to build a smaller plant," says Mr Winship. "Our cornerstone is the local market, but to produce world class quality material we need to expand." Exports are expected to increase from their current level of about 11 per cent of production to between 30 and 50 per cent as surplus metal from the new plant is sold on overseas markets, principally in the Far East.

For all their bullishness, investors came close to abandoning the Hulett project. Mr Rupert Pardoe, financial director of the Anglo-American Industrial Corporation, says the final go-ahead followed a war of attrition with the Board on Tariffs and Trade.

"The investment was conditional on an acceptable level of tariff protection, and it was costing R1m a month in consultancy fees while the board made up its mind." Amic controls Hulett-parent Tongaat-Hulett, which owns 50 per cent and has a further, independent stake of 20 per cent.

The Board on Tariffs and Trade, which is charged with promoting competition and the re-entry of local industries to the global economy, had proposed a dramatic cut in the duty on imported aluminium from its current 22 per cent level to 5 per cent within five years. But after lobbying from the Department of Trade and Industry and Hulett it last month revised this target to the Gatt level of 10 per cent within seven years. "We are satisfied by the shift in the government's position," says Mr Pardoe.

The new tariff scheme is also seen by Hulett customers as a victory for Amic. South African Breweries, the biggest consumer of the aluminium can-end used to manufacture drinks cans, protest that Hulett is already protected by the shipping costs incurred by its overseas competitors. "We will keep on pushing for a zero tariff on aluminium metal sheeting product as the local aluminium price remains much more expensive than the international price."

The dispute highlights the delicate nexus between dismantling the high tariff walls that protected local manufacturers during the isolation of the apartheid era and the other goals of industrial policy.

In principle, the government favours protection only at the labour-intensive end of the manufacturing cycle. With official unemployment of 32.7 per cent, and estimates of the actual figure including those jobless who have not registered ranging between 40 and 60 per cent, job creation is the government's top priority.

Mr Paul Jourdan, special adviser to the minister of trade and industry, concedes Hulett is an exception to the rule. There will be no additional employment at the plant after the initial construction phase, because the plant will introduce technology that requires fewer man-hours per tonne rolled. However, the Hulett investment is "critical to the development of downstream industries".

This is reflected in the role of the Industrial Development Corporation, a government agency, which has taken a 30 per cent stake, alongside Amic and Tongaat-Hulett. The IDC also owns 35 per cent of Alusaf, together with Gencor, the multinational minerals group, which has a 44 per cent stake. Each investment will triple existing capacity in the primary and secondary phases of production.

At present South Africa produces less than 1 per cent of the world's aluminium but is already one of the biggest exporters of aluminium motor parts to Mercedes and BMW in Europe. Africa is also likely to become an important market.

"The average thickness of human hair is 26 microns (0.026mm). That's four times the thickness of the rolled aluminium foil we will make at the new plant," says Mr Peter Staude, Hulett managing director. Exports of cartons lined with this foil will allow ultra-pasteurised milk to be transported for thousands of kilometres to places where refrigeration is unheard of.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1499.5-500.5	1534-35
Previous	1503-04	1537.5-38
High/low	1499/1497	1538/1532
AM Official	1497-98	1534-35
Kerb close		1537-38
Open int.	231,220	
Total daily turnover	66,325	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1245-55	1285-95
Previous	1255-65	1295-300
High/low		1295
AM Official	1255-60	1290-95
Kerb close		1290-95
Open int.	4,789	
Total daily turnover	1,305	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	824.5-5.5	822-3
Previous	819-20	818-8.5
High/low	823	824/816
AM Official	822-3	818-9
Kerb close		820-1
Open int.	34,145	
Total daily turnover	7,191	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7800-01	7910-20
Previous	7775-85	7880-90
High/low		7930/7900
AM Official	7820-25	7905-08
Kerb close		7920-30
Open int.	45,791	
Total daily turnover	11,156	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6195-205	6210-20
Previous	6190-200	6220-30
High/low	6190	6210/6200
AM Official	6190-95	6195-205
Kerb close		6200-10
Open int.	17,549	
Total daily turnover	3,339	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1020.5-21.5	1045-46
Previous	1014.5-15.5	1038-39
High/low	1018.5/1018	1048/1041
AM Official	1017.5-18	1042-42.5
Kerb close		1046-47
Open int.	74,040	
Total daily turnover	22,776	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2520-30	2235-40
Previous	2440-50	2170-75
High/low	2525	2270/2190
AM Official	2510-20	2230-35
Kerb close		2245-50
Open int.	192,564	
Total daily turnover	85,033	

■ LME AM Official £/$ rate: 1.5345
LME Closing £/$ rate: 1.5320

Spot: 1.5322 3 mths: 1.5312 6 mths: 1.5312 9 mths: 1.5317

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	118.00	+0.70	119.20	119.00	728	3,158
Jul	107.95	+0.65	110.60	106.50	6,943	16,880
Aug	104.95	+0.30	105.50	105.00	124	1,084
Sep	102.00	-0.15	104.40	101.20	2,226	9,688
Oct	101.35	-0.40	102.00	102.00	64	767
Nov	100.05	-0.55	100.80	100.80	49	665
Total					12,076	48,217

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	385.70-386.00		
Opening	385.90-386.20		
Morning fix	385.55	251.37	488.49
Afternoon fix	385.65	251.50	488.43
Day's High	[illegible]		
Day's Low	[illegible]		
Previous close	[illegible]		

Loco Ldn Mean Gold Lending Rates (Vs US$): [illegible]

Silver Fix	p/troy oz.	US cts equiv.
Spot	[illegible]	[illegible]
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
1 year	[illegible]	[illegible]

Gold Coins	$ price	£ equiv.
Krugerrand	[illegible]	[illegible]
Maple Leaf	[illegible]	
New Sovereign	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	386.7	+1.0	388.0	384.0	113	540
Jul	387.0	+1.0	-	-	-	50
Aug	388.5	+0.9	389.8	387.8	33,578	[illegible]
Oct	[illegible]					
Dec	[illegible]					
Feb	[illegible]					
Total						[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.): [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.): [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.): [illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels $/barrel): [illegible]

■ CRUDE OIL IPE ($/barrel): [illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls): [illegible]

■ GAS OIL IPE ($/tonne): [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu): [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls): [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	120.60	-0.70	121.50	120.60	161	1,175
Sep	114.20	+0.75	114.25	113.75	20	398
Nov	115.90	+0.65	115.90	115.40	220	[illegible]
Jan	118.00	+0.80	[illegible]			

■ WHEAT CBT (5,000bu min; cents/60lb bushel): [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel): [illegible]

■ BARLEY LCE (£ per tonne): [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel): [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb): [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton): [illegible]

■ POTATOES LCE (£/tonne): [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jun	1265	+10	-	-	-	580
Jul	1212	+7	1210	1210	3	2,097
Aug	1213	+4	1215	1210	8	91
Oct	1328	-2	1328	1325	9	1,421
Jan	1342	-8	-	-	-	146
Apr	1345	-	-	-	-	83
Total					20	4,421

	Close	Prev
BFI	1315	1322

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1115	-7	1118	1112	842	11,590
Sep	1142	-8	1143	1140	781	44,808
Dec	1046	-8	1052	1045	685	32,929

■ COCOA CSCE (10 tonnes; $/tonnes): [illegible]

■ COCOA (ICCO) (SDR's/tonne): [illegible]

■ COFFEE LCE ($/tonne): [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs): [illegible]

■ COFFEE (ICO) (US cents/pound): [illegible]

■ WHITE SUGAR LCE ($/tonne): [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs): [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	78.97	+0.39	79.25	78.85	261	5,296
May	79.60	+0.25	79.80	79.70	129	2,331
Jul	80.15	+0.30	-	-	81	1,049
Total					12,148	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	121.10	-0.15	121.40	119.90	2,266	9,798
Sep	118.85	-0.40	120.00	117.80	659	5,565
Nov	115.75	-0.45	116.60	115.50	69	1,725
Jan	113.85	-1.55	115.50	113.25	58	3,842
Mar	115.30	-0.40	115.30	114.70	2	206
May	116.30	+0.30	116.00	116.00	8	164
Total					3,063	21,314

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	63.600	+0.5	63.900	62.625	6,869	14,120
Aug	65.050	+0.675	65.125	64.600	5,671	33,242
Oct	67.025	+0.625	67.150	66.075	2,747	23,884
Dec	[illegible]					

■ LIVE HOGS CME (40,000lbs; cents/lbs): [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lb): [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — Puts

■ ALUMINIUM (99.7%) LME: [illegible]

■ COPPER (Grade A) LME: [illegible]

■ COFFEE LCE: [illegible]

■ COCOA LCE: [illegible]

■ BRENT CRUDE IPE: [illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel): [illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Naphtha	$174-177	+1.5
Jet fuel	$187-188	+1
Diesel	$164-166	+1

■ NATURAL GAS (Pence/therm)

Bacton (Jul)	10.90-11.00	-0.25

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$385.85	+0.10
Silver (per troy oz)♣	519.50c	-1.00
Platinum (per troy oz.)	$392.50	-1.00
Palladium (per troy oz.)	$128.35	-0.40
Copper	121.0c	-13.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.31r	-0.04
Tin (New York)	290.50	
Cattle (live weight)	103.05p	+3.45*
Sheep (live weight)	142.35p	-4.52*
Pigs (live weight)†	111.20p	-4.09*
Lon. day sugar (raw)	$305.4	+0.4
Lon. day sugar (wte)	$400.0	+2.0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	100.00p	-2.75
Rubber (Jul)♥	100.00p	-2.75
Rubber (KL RSS No1)	363.50m	-3.0
Coconut Oil (Phil)§	820.0v	-15.0
Palm Oil (Malay.)§	$510.0	-5.0
Copra (Phil)§	$521.0	
Soyabeans (US)	217.0z	+4.0
Cotton Outlook'A' index	84.65c	+0.20
Wooltops (64s Super)	428p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jul. v May/Jun. w Jun/Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on N/A head of pigs sold.

Tea

There was less demand this week reports the Tea Brokers Association. Landed bright liquoring East Africans opened about steady but closed 4 to 8 pence easier. Mediums lost 2 to 5 pence apart from a few colour lines which held firm. Offshore there was good demand but prices were generally lower. Quotations: Best available 138p/kg. Good 125p/kg. Good medium 116p/kg. Medium 108p/kg. Low medium 86p/kg. The highest price realised this week was 136p/kg for a ceylon.

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 10	Jun 7	month ago	year ago
2210.5	2105.0	2137.6	2282.8

■ CRB Futures (Base: 1967=100)

Jun 7	Jun 6	month ago	year ago
250.69	248.68	259.08	N/A

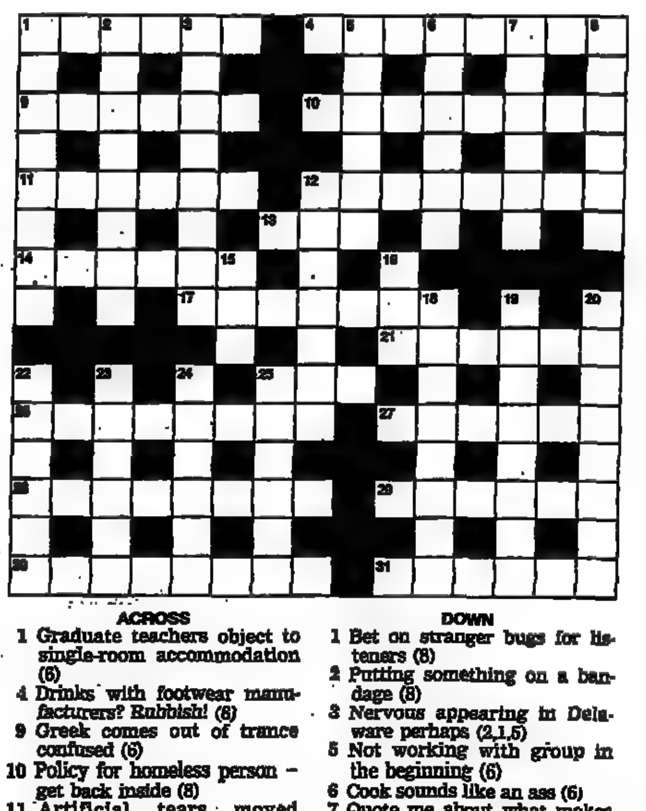
■ GSCI Spot (Base: 1970=100)

Jun 7	Jun 6	month ago	year ago
203.45	201.22	210.26	181.59

JOTTER PAD

CROSSWORD

No.9,091 Set by HIGHLANDER



ACROSS

1 Graduate teachers object to single-room accommodation (6)
4 Drinks with footwear manufacturers? Rubbish! (8)
9 Greek comes out of trance confused (6)
10 Policy for homeless person – get back inside (8)
11 Artificial tears moved unknown (6)
12 Give new post to singer as arranged (8)
13 The player bowled at (9)
14 Fire one and get in trouble (6)
17 Returned to office to choose two keys (7)
21 Doctor food with it (6)
25 Fish turning away from the wind (8)
26 Permission to proceed with each net (3,5)
27 You said wise men form regular habits (6)
28 Take part of case for leisure wear (8)
29 Spring profit is about zero (6)
30 Recognised usual colours (8)
31 Go round via route through the Peaks (6)

DOWN

1 Bet on stranger bugs for listeners (8)
2 Putting something on a bandage (8)
3 Nervous appearing in Delaware perhaps (2,1,5)
5 Not working with group in the beginning (6)
6 Cook sounds like an ass (6)
7 Quote me about what makes one sick (6)
8 Saw, for example, gin drunk (6)
12 American farmer took care of head of cattle with her (7)
15 Starts to export less mature wood (3)
16 The man takes maiden over the border (3)
18 Skivvy follows trunk (8)
19 State airline has added first class return (8)
20 Corrects sexually innocent Poles (8)
22 Affected by American university grounds and buildings (6)
23 A common policy the French put over for wool (6)
24 Fail to win inside the record? Shut up! (6)
25 Less bother because that's covered by queen (6)

Solution to Saturday's prize puzzle on Saturday June 22.
Solution to yesterday's prize puzzle on Monday June 24.

European sector recoups part of Friday's losses

By Samer Iskandar in London and Lisa Bransten in New York

Most European bond markets had a positive session yesterday, recouping part of Friday's losses. But prices remained shaky, losing some of their earlier gains after the US market opened, and are likely to be vulnerable to bearish news in the coming days.

Market participants were reassured, however, by the resilience of European bonds to the losses sustained by US Treasuries. Mr Tom Pelc, a senior technical analyst at MMS International, said he was moderately positive on European markets but more reserved on Treasuries.

Economists at BIP Dresdner Bank in Paris believe last week's "correction ... will favour interest rate convergence" in Europe, although US indicators will continue to dictate market trends.

■ UK gilts proved resilient when the US market opened on a bearish note. Liffe's September long gilt future settled at 105 1/16, up 5/32. In the cash market, the benchmark 7½ per cent gilt due 2006 closed at 96 1/32, up 3/32.

The market was supported by the release of bullish producer price data for May. Output prices fell by 0.1 per cent month-on-month, bringing the year-on-year rate down to 2.9 per cent from 3.2 per cent in April.

The Office for National Statistics also said input prices (seasonally adjusted) fell by 0.5 per cent month-on-month.

Economists at ABN Amro Hoare Govett said "sterling's strength helped suppress prices of imported inputs". May's fall, they added, "lowered the [year-on-year] rate to just 1.1 per cent, its lowest since May 1994".

More releases of economic statistics are expected before the end of this week, including monthly manufacturing output, unemployment data and retail prices.

■ German bonds also ended the day higher. Liffe's September bund future closed at 95.23, up 0.05. In the cash market, the 10-year benchmark bond, the 6¼ per cent bund due 2006, was 0.05 higher at 97.81.

Bund outperformance widened the 10-year yield discount against US Treasuries by 2 basis points to 53 points.

GOVERNMENT BONDS

Mr Pelc at MMS expects the German market to continue outperforming US Treasuries. "The 10-year spread should widen to around 60 or 65 basis points in the next few weeks", he said.

■ French OATs traded in line with bunds. The Matif's June notional future settled at 123.06, up 0.12. In the cash market, the 7¼ per cent OAT due 2006 closed 0.07 higher at 105.15, yielding 3 basis points less than the equivalent bund, the same level as Friday.

Analysts are predicting further unilateral monetary easing by the French central bank, given the favourable inflation outlook. Consumer prices rose 0.2 per cent in May, leaving the inflation rate unchanged at 2.4 per cent.

These figures confirm that "French price pressures are modest and very much under control", said economists at Bear Stearns in London.

■ Italian bonds also recovered from last week's weakness and marginally outperformed the German market. Liffe's September BTP future closed at 115.23, down 0.08. The contract had opened on a strong footing and traded as high as 115.52, before being dragged down by a weaker US Treasury market.

In the cash market, the 10-year benchmark BTP was up 0.14 at 100.59, its yield spread over bunds narrowing by 1 basis point to 307 points.

Mr Pelc at MMS believes that after twice testing the 300 basis point barrier (on the 10-year yield spread over bunds), the market should have enough momentum to break this psychological level soon and trade down to around 285 basis points. If the international environment is favourable, Mr Pelc expects the BTP future to break its contract highs and test uncharted territory around the 117 level.

■ Spanish bonds were supported by the government's economic measures adopted last Friday, but closed off their highs in the wake of falling Treasuries and bunds. The June 10-year bono future settled at 98.62, up 0.15, after reaching a high of 98.84. In the cash market, the 10-year benchmark bono closed at 97.28, up 0.10.

■ US Treasuries tacked more losses on to the sharp declines posted on Friday in early trading as traders awaited data on producer and consumer prices due today and tomorrow.

Near midday, the benchmark 30-year Treasury was down 11/32 to 88 9/32, yielding 7.081 per cent, the two-year note was 1/16 lower at 99 3/8, yielding 6.375 per cent, and the September 30-year Treasury bond future had dropped ⅜ to 106⅝.

The curve that traces the yield spread between the two-year note and the long bond steepened by 2 basis points to 71 basis points as the short end of the spectrum outperformed longer maturities.

Shorter-term notes got some support from news reports suggesting that Friday's stronger than expected figures on May employment growth would not be enough to convince the Federal Reserve to raise interest rates.

However, worries about the potential for inflationary pressures to emerge both from higher wages and from higher commodity prices remained. In the early afternoon, the Knight Ridder/Commodities Research Bureau index was up 1.06 at 251.75.

Good response to NZ buy-backs

By Richard Adams in London

New Zealand's offer to buy back £197.5m of loan stock has had a warm reception so far from the London market.

By yesterday afternoon, just under 50 per cent of the £97.5m issue due in 2008 and 65 per cent of the £100m issue due in 2014 had been repurchased in the week since the offer was made.

Mr Philip Anderson, principal at the New Zealand Debt Management Office in London, said: "We're very pleased with the uptake so far."

More than 90 per cent of the issues are registered bonds, the bulk of which are held by institutions. Only £3m to £5m is held in private hands, making it likely that a very high proportion will be repurchased.

The NZDMO is also offering to buy back $500m of US domestic notes, but the success of the yankee buy-back is less assured.

"It is going to be more difficult to get in, because of the greater international distribution," Mr Anderson said. Experience of other buy-backs in the US market suggest a 65 to 70 per cent rate of repurchase.

The purchase price for the notes or loan stock is calculated by using the yield to maturity of the bond's reference security, plus a fixed spread ranging from 10 to 35 basis points.

BZW is the exclusive agent for the sterling offer, and Morgan Stanley the exclusive dealer manager for the yankee offer. The offer remains open until June 14 in London, and until June 26 for the yankee offer in New York.

Italy set to launch $2bn issue of five-year floating-rate notes

By Antonia Sharpe

Italy is set to tap the eurobond market for the first time since the Prodi government came to power and since Moody's, the US rating agency, said it was considering raising the sovereign's A1 credit rating.

INTERNATIONAL BONDS

Dealers expect Italy to launch a $2bn offering of five-year floating-rate notes as early as today. The discounted margin on the notes, to be issued via Lehman Brothers and Merrill Lynch, is likely to be flat to Libor. The offering, which is non-callable until 1999, refinances a previous $2bn FRN issue due 1998 which Italy called recently.

Dealers said yesterday that Italy had opted for an FRN offering rather than a fixed-rate issue because investors had become more defensive recently, a stance which was reinforced by Friday's tumble in the bond markets.

The current mood of uncertainty in the bond markets is expected to encourage more issuers to raise funds through FRNs rather than through fixed-rate bonds.

Merrill Lynch is believed to be close to launching a six-year FRN for NationsBank, which could raise between $400m and $500m. There could also be an offering of FRNs from GPA, which will refinance existing notes backed by its aircraft leases.

Other new issues expected this week include a DM200m four-year bond offering from Expo 2000, the company arranging the World Fair 2000 in Hanover.

The fixed-rate offering, which will be guaranteed half by the state of Lower Saxony and half by the German government, is likely to be priced to yield up to 10 basis points more than underlying German government paper.

Among yesterday's transactions, triple-A rated Bank Austria was the latest borrower to tap the the eurosterling market with a £100m offering due 1998. Bank Austria's bonds were priced to yield 25 basis points over UK government bonds.

When the bonds were freed to trade the spread widened by about 3 basis points because of some loose bonds in the market. Lead manager Lehman said it expected the spread to tighten once all the bonds were in firm hands.

Bank Austria is believed to have swapped the proceeds of the offering into fixed-rate D-marks at a sub-Libor interest rate.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
ACCMT II, 96-D, Class A(a)‡	519	(a1)	(a1)	Jun 2005	0.50	-	JP Morgan Securities
Korea First Bank(b)♯‡	200	(b1)	99.75R	Jun 2006	0.40R	-	Chemical Investment Bank
Behrain Intl Bank(c)‡	50	(c1)	100.00	Jul 2001	1.40	-	BNP Capital Markets
Hyosung (America)‡	50	(d)	100.00	Jul 1999	-	-	KEB International
STERLING							
Bank Austria(s)	100	8.75	99.884R	Dec 1998	0.175R	+25(7¾%-98)	Lehman Brothers Intl
GUILDERS							
Koninklijke PTT Nederland	1bn	5.50	98.505R	Jul 2006	0.325R	+26(l)	Rabobank Nederland
ITALIAN LIRE							
Republic of Argentina	350bn	11.00	99.90R	Jun 1999	0.50R	-	Deutsche Morgan Grenfell
European Investment Bank‡	300bn	(n.s)	99.90R	Jun 2003	0.15R	-	BCI/Cariplo/JP Morgan
CANADIAN DOLLARS							
Crédit Local de France(s)	100	7.25	99.65R	Dec 2001	0.25R	+14(7½%-01)	Toronto Dominion Bank
Vancouver City Svgs Cdt Union	100	7.125	99.47R	Jul 2001	0.25R	+8(7½%-01)	RBC Dominion Securities
DANISH KRONER							
Crédit Local de France	400	(f)	101.37	Jul 2001	1.875	-	Kredietbank Intl Group

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ♯Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Advanta Credit Card Master Trust. Average life: 6.49 yrs. a1) Priced later: 1-mth Libor +16bp area. a2) Class B: $33m, av life 6.58 yrs, 1-mth Libor + around 30bp. b) Callable annually from Jun 2001 at par. b1) 6-mth Libor +85bp to June 2001 and +200bp thereafter. c) Puttable on 2/7/99 at par. c1) 6-mth Libor +137½bp. d) 3-mth Libor +65bp. e) 3-mth Libor flat, max 14%. Coupons capped at previous rate +0.5%. Initial coupon: 5.90%. f) 6⅝% to 30/7/98, then 8¼%. l) Over interpolated yield. s) Short 1st coupon.

Fund to invest $100m in Russian debt market

By Richard Lapper

A Hong Kong-based fund manager and an Australasian bank are joining forces to launch a fund to invest in the Russian debt market. Regent Pacific will administer the Regent Russian Debt Fund alongside its four existing Russian funds. ANZ Bank is to be investment adviser.

The fund will be incorporated in the Cayman Islands as an investment company and will invest in Russia via a local operating company owned by a separate Cyprus-registered subsidiary. Regent and ANZ aim to raise more than $100m and the fund will have a split level structure, offering investors two types of shares.

Income shares will offer a fixed rate of return of 12 per cent a year, which is secured against the assets of the fund. Ordinary shares aim for capital appreciation and will offer a leveraged return.

Mr Jules Green, director of emerging markets at ANZ, said the fund will buy Vnesheconombank and MinFin dollar-denominated debt but will also focus on rouble-denominated GKOs (Treasury bills of three, six and 12-month maturities).

Treasury bill yields have widened from about 60 per cent earlier this year to more than 160 per cent a year, offering potentially lucrative returns.

Most foreign involvement in the Russian debt market to date has been either through derivatives vehicles or, since February, through specially structured schemes administered mainly by Russian banks.

Regent is applying for a listing on the Irish Stock Exchange.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.7180	+0.140	8.97	8.98	8.79
Austria		6.125	02/06	97.4600	+0.260	6.48	6.46	6.37
Belgium		7.000	05/06	101.8500	+0.040	6.74	6.73	6.63
Canada *		7.000	12/06	94.4200	+0.070	7.79	7.70	7.79
Denmark		8.000	03/06	108.3800	+0.100	7.49	7.51	7.28
France	BTAN	5.750	03/01	100.7500	+0.090	5.57	5.56	5.49
	OAT	7.250	04/06	103.1500	+0.070	6.52	6.51	6.40
Germany Bund		6.250	04/06	97.8100	+0.050	6.56	6.52	6.37
Ireland		8.000	08/06	101.2500	+0.050	7.81	7.70	7.52
Italy		9.500	02/06	100.5900	+0.140	9.40†	9.45	9.62
Japan	No 140	6.600	06/01	119.2039	-0.190	2.32	2.24	2.51
	No 182	3.000	09/05	98.2205	-0.100	3.25	3.13	3.39
Netherlands		6.000	01/06	97.0200	+0.040	6.42	6.41	6.31
Portugal		11.875	02/05	117.0200	+0.290	8.95	9.06	8.90
Spain		8.800	04/06	97.2800	+0.100	9.21	9.23	9.14
Sweden		6.000	02/05	85.3646	+0.120	8.44	8.50	8.21
UK Gilts		8.000	12/00	102-18	+5/32	7.31	7.44	7.38
		7.500	12/06	96-01	+3/32	8.07	8.08	8.03
		9.000	10/08	106-02	-2/32	8.21	8.18	8.14
US Treasury *		6.875	05/06	99-12	-3/32	6.96	6.87	6.95
		6.000	02/26	86-16	-7/32	7.09	7.01	6.89
ECU (French Govt)		7.500	04/06	103.3700	-0.130	6.97	7.00	6.79

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.39
Prime rate	8¼	Two month	-	Three year	6.55
Broker loan rate	7	Three month	5.25	Five year	6.76
Fed funds	5⅛	Six month	5.53	10-year	6.95
Fed funds at intervention.	-	One year	5.83	30-year	7.07

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	123.00	123.06	+0.12	123.18	123.00	75,182	136,750
Sep	121.52	121.52	+0.08	121.62	121.50	36,592	52,697
Dec	120.28	120.24	+0.06	120.38	120.26	2,244	12,596

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
120	-	-	-	0.09	-	0.67
121	-	1.13	-	0.27	-	-
122	0.28	0.55	0.88	0.72	0.98	-
123	0.06	0.24	0.49	-	-	-
124	-	0.08	0.24	-	-	-

Est. vol. total, Calls 9,991 Puts 9,623. Previous day's open int., Calls 96,733 Puts 110,665.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.34	95.23	+0.06	95.36	95.18	87472	181378
Dec	-	94.34	+0.06	-	-	0	1176

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9500	0.50	0.66	1.06	1.06	0.27	0.63	0.83	1.72
9550	0.24	0.58	0.79	0.85	0.51	0.85	1.06	2.01
9600	0.10	0.36	0.55	0.66	0.87	1.15	1.35	2.34

Est. vol. total, Calls 8498 Puts 6156. Previous day's open int., Calls 122226 Puts 147633

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.50	115.23	-0.08	115.52	115.18	17683	58608
Dec	-	114.56	-0.13	-	-	0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
11500	1.66	2.23	1.43	2.65
11550	1.41	2.01	1.68	2.93
11600	1.19	1.80	1.96	3.22

Est. vol. total, Calls 1912 Puts 1931. Previous day's open int., Calls 47519 Puts 37114

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	98.66	98.62	+0.15	98.84	98.59	30,585	53,040
Sep	98.10	97.99	+0.15	98.20	97.99	4,306	9,711

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-07	106-06	+0-04	106-11	106-02	7039	26557
Sep	105-03	105-02	+0-05	105-08	104-28	28217	118859

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
105	0-36	1-05	1-26	1-52	0-32	1-01	1-32	2-46
106	0-11	0-42	0-61	1-27	1-07	1-30	1-57	3-23
107	0-03	0-23	0-38	1-06	1-63	2-19	2-34	4-02

Est. vol. total, Calls 1299 Puts 1278. Previous day's open int., Calls 17929 Puts 22557

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	90.86	90.90	+0.04	90.98	90.86	769	4,859
Sep	90.46	90.46	+0.04	90.56	90.46	603	3,914

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	107-21	107-16	-0-02	107-24	107-14	12,733	103,207
Sep	107-04	106-30	-0-02	107-07	106-27	469,852	304,597
Dec	106-15	106-14	-0-02	106-22	107-13	754	9,132

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.27	-	-	118.37	118.22	1333	0
Dec	117.35	-	-	117.38	117.33	99	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Jun 10	Day's change %	Fri Jun 7	Accrued interest	xd adj. ytd		Low coupon yield Jun 10	Jun 7	Yr. ago	Medium coupon yield Jun 10	Jun 7	Yr. ago	High coupon yield Jun 10	Jun 7	Yr. ago
1 Up to 5 years (22)	121.74	0.18	121.52	2.37	4.28	5 yrs	7.44	7.49	7.39	7.48	7.53	7.82	7.58	7.64	7.97
2 5-15 years (19)	144.60	0.26	144.23	1.74	5.64	15 yrs	8.26	8.27	8.14	8.27	8.29	8.16	8.35	8.35	8.28
3 Over 15 years (9)	158.97	0.20	158.65	2.59	5.43	20 yrs	8.34	8.33	8.14	8.34	8.35	8.17	8.39	8.39	8.24
4 Irredeemables (6)	180.42	-0.52	181.35	1.62	6.12	Irred.†	8.37	8.32	8.20						
5 All stocks (56)	140.57	0.21	140.27	2.18	5.13										

Index-linked							Inflation 5% Jun 10	Jun 7	Yr. ago	Inflation 10% Jun 10	Jun 7	Yr. ago
6 Up to 5 years (1)	196.96	0.09	196.81	1.10	4.49	Up to 5 yrs	2.85	2.89	3.38	1.48	1.48	1.89
7 Over 5 years (11)	185.42	0.12	185.19	1.45	1.81	Over 5 yrs	3.67	3.68	3.66	3.67	3.68	3.48
8 All stocks (12)	185.56	0.12	185.33	1.45	1.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jun 10	Jun 7	Jun 6	Jun 5	Jun 4	Yr ago	High*	Low*
Govt. Secs. (UK)	92.41	92.29	92.63	92.30	92.40	93.19	96.34	91.59
Fixed Interest	111.81	112.01	112.11	111.82	111.75	112.62	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3
Gilt Edged bargains	92.5	101.3	73.1	79.2	77.1
5-day average	84.4	82.1	81.7	82.3	81.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on June 10

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

MARKETS REPORT

Pound falls amid UK interest rate speculation

By Graham Bowley

The pound fell on the foreign exchanges yesterday as traders digested last week's surprise UK interest rate cut and speculated that rates might fall further.

Other major currencies had a *quiet session as markets* absorbed the implications of last week's drama triggered by the very strong US jobs figures.

The lira was largely unmoved by reports that Italy would start talks after next week's European Union summit in Florence with France and Germany on the lira rejoining the European exchange rate mechanism

Sterling's trade weighted index finished lower at 85.8 from 86.3. Against the D-Mark, the pound closed at DM2.352 from DM2.3657, while against the dollar it finished at $1.5313 from $1.5417.

The dollar finished in London at DM1.536 from DM1.5345. Against the yen it closed at Y109.085 from Y109.05.

■ All eyes were on the pound again yesterday as sterling suffered a setback following its recovery on Friday.

Talk in the market again revolved around whether, or to what extent, last week's quarter point base rate cut to 5.75 per cent was politically motivated.

Favourable producer price numbers yesterday, which showed industry inflationary pressures eased further in May, provided some backing for the view that the cut may have been justified by economic circumstances. Analysts said the data reinforced the view that interest rates were set to remain low for a while, which would exert downward pressure on the pound.

"The interest rate cut has taken some of the shine off the pound," according to Mr Ian Harnett, UK group chief economist at SGST in London. "People are recognising that interest rates are not going to be reversed *before the election*, and so along with political risk the pressures are still for sterling to weaken."

Mr Paul Meggyesi, senior currency strategist at Deutsche Morgan Grenfell in London, said that "even if you don't think the rate cut was politically motivated, the move was still negative for the pound" since it signalled that the the authorities are "uncomfortable with a strong exchange rate".

Short sterling futures contracts, which fell sharply on Friday, recovered yesterday. Mr Tony Norfield, UK treasury economist at ABN AMRO in *London*, pointed out that for the first time since autumn 1994 short sterling contracts were pricing in UK interest rates below US interest rates implied by eurodollar futures.

"This is a useful signal that, without the interest rate pick up, sterling is set to move lower against the dollar," he said.

■ Mr Hans Tietmeyer, the Bundesbank president, appeared to signal content with the direction that the major currencies have taken over the past year.

Speaking at the annual meeting of the Bank for International Settlements in Basle, Mr Tietmeyer said "overall, exchange rates parities are better than a year ago" reflecting "the *different* economic situations much better".

He said the lira which had been undervalued was now "more adequately" valued.

However, analysts were quick to point out that Mr Tietmeyer did not rule out any further moves in currencies and that the corrections may not yet be complete.

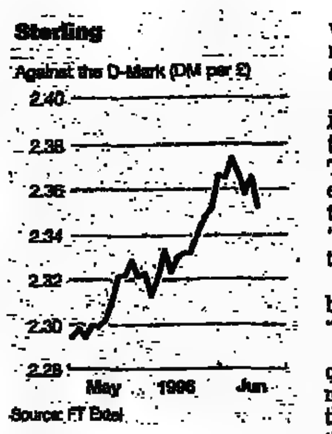
■ Figures in the BIS annual report showed that the dollar's share in global official reserves has remained stable at about two thirds.

This flew in the face of much received wisdom which suggested that many developed economies no longer wished to hold as large a proportion of their reserves in dollars as they had done in the past.

The report showed that *central bank intervention to support* the dollar against the yen in 1995 boosted foreign exchange reserves at the fastest pace since 1987.

It also revealed that central banks and governments financed more than two thirds of the US current account deficit last year, underlining the extent of official intervention in support of the dollar in 1995.

■ Attention this week will be on the Bundesbank council meeting, with some expectation that the central bank might take a step towards laxer monetary policy by adopting a variable rate repo.



Source: FT Extel

■ Pound in New York

Jun 10	Latest	Prev. close
£ spot	1.5325	1.5390
1 mth	1.5320	1.5384
3 mth	1.5315	1.5379
1 yr	1.5333	1.5386

■ OTHER CURRENCIES

Jun 10	£	$
Czech Kr	42.7746 - 42.8230	27.9[illegible] - 27.9580
Hungary	229.810 - 230.077	150.170 - 150.220
Iran	[illegible]	[illegible]
Kuwait	0.4591 - 0.4598	0.2999 - 0.3001
Poland	4.1481 - 4.1574	2.7094 - 2.7144
Russia	[illegible]	[illegible]
U.A.E.	5.6232 - 5.6257	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jun 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5528	-0.0859	[illegible]	16.6281	16.5488	16.5212	2.3	16.4462	2.6	-	-	104.8
Belgium	(BFr)	48.3891	-0.2978	[illegible]	48.6110	48.3800	[illegible]	2.6	48.0741	2.6	47.0741	2.7	106.5
Denmark	(DKr)	9.0799	-0.0539	758 - 839	9.1235	9.0781	9.0656	1.9	9.0366	1.9	8.9146	1.8	107.2
Finland	(FM)	7.2125	-0.0501	[illegible]	7.2520	7.2010	7.2061	0.7	7.2001	0.7	-	-	83.4
France	(FFr)	7.9661	-0.0467	658 - 704	8.0047	7.9572	7.9552	1.9	7.9303	1.9	7.8177	1.9	108.9
Germany	(DM)	2.3520	-0.0137	[illegible]	2.3645	2.3509	2.3472	2.4	2.3381	2.7	[illegible]	2.8	108.2
Greece	(Dr)	371.271	-2.322	114 - 428	372.973	371.114	-	-	-	-	-	-	67.5
Ireland	(I£)	0.9737	-0.0023	[illegible] - 745	0.9767	0.9730	0.9732	0.6	0.972	0.7	0.9675	0.6	99.1
Italy	(L)	2375.66	-15.[illegible]	427 - 704	2388.78	2374.12	2382.21	-3.3	2393.36	-3.0	2426.61	-2.1	78.6
Luxembourg	(LFr)	48.3891	-0.2978	490 - 292	48.6110	48.3800	48.2841	2.6	48.0741	2.6	47.0741	1.5	106.5
Netherlands	(Fl)	2.6331	-0.0152	318 - 344	2.6502	2.6330	2.6268	3.0	2.6132	3.0	2.5566	2.9	106.7
Norway	(NKr)	10.0531	-0.0645	454 - 608	10.1055	10.0187	10.0448	1.0	10.0276	1.0	9.9441	1.1	96.6
Portugal	(Es)	242.461	-1.678	357 - 605	243.073	242.300	242.806	-2.1	243.611	-2.2	-	-	94.4
Spain	(Pta)	198.449	-1.14	372 - 526	199.331	198.418	198.709	-1.6	199.224	-1.6	200.624	-1.1	80.2
Sweden	(SKr)	10.3346	-0.0747	[illegible] - 434	10.3973	10.3355	10.3349	0.0	10.335	0.0	10.333	0.0	89.5
Switzerland	(SFr)	1.9402	-0.0116	392 - 411	1.9532	1.9401	1.9352	3.1	1.9244	3.3	1.8762	3.3	110.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.8
Ecu	-	1.2437	-0.0081	432 - 442	1.2500	1.2437	1.2424	1.3	1.2394	1.4	1.2261	1.4	-
SDR†	-	1.072880	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5292	-0.0104	287 - 296	1.5370	1.5304							-
Brazil	(R$)	1.5306	-0.0098	302 - 313	1.5362	1.5304							-
Canada	(C$)	2.0883	-0.0165	875 - 891	2.0977	2.0883	2.0878	0.4	2.0839	0.8	2.0758	0.6	84.6
Mexico	(New Peso)	11.4886	-0.1061	825 - 947	11.5558	11.4871							-
USA	($)	1.5313	-0.0104	310 - 316	1.5377	1.5310	1.5308	0.4	1.5304	0.2	1.5292	0.1	87.4
Pacific/Middle East/Africa													
Australia	(A$)	1.9607	-0.0171	297 - 316	[illegible]	[illegible]	[illegible]	-1.8	[illegible]	-1.8	1.9636	-1.7	94.2
Hong Kong	(HK$)	11.8515	-0.0817	[illegible] - 546	11.9022	11.8507	11.8434	0.8	11.8318	0.7	11.812	0.3	-
India	(Rs)	53.2893	-0.3619	726 - 060	53.5650	53.2110	-	-	-	-	-	-	-
Israel	(Shk)	4.9891	-0.053	805 - 916	5.0423	4.9828	-	-	-	-	-	-	-
Japan	(Y)	167.042	-1.08	956 - 128	168.330	166.920	166.317	5.2	164.627	5.3	158.412	5.2	134.8
Malaysia	(M$)	3.8257	-0.0237	252 - 262	3.8419	3.8257	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2749	-0.0264	732 - 765	2.2972	2.2749	2.2789	-2.6	2.2894	-2.5	2.3232	-2.1	108.2
Philippines	(Peso)	40.0695	-0.2722	203 - 566	40.1428	40.1955	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7432	-0.0358	419 - 444	5.7670	5.7422	-	-	-	-	-	-	-
Singapore	(S$)	2.1581	-0.0142	569 - 592	2.1688	2.1564	-	-	-	-	-	-	-
South Africa	(R)	6.6673	-0.0807	637 - 709	6.7235	6.6559	-	-	-	-	-	-	-
South Korea	(Won)	1210.34	-3.83	949 - 119	1216.16	1210.15	-	-	-	-	-	-	-
Taiwan	(T$)	42.4645	-0.2822	485 - 805	42.7373	42.4698	-	-	-	-	-	-	-
Thailand	(Bt)	38.8307	-0.2668	154 - 460	39.0040	38.8310	-	-	-	-	-	-	-

† Rates for Jun 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.8094	+0.0107	073 - 116	10.8240	10.7990	10.7899	2.2	10.7479	2.3	10.5644	2.3	104.6
Belgium	(BFr)	31.6000	+0.05	800 - 200	31.6270	31.5850	31.546	2.1	31.43	2.2	30.89	2.2	106.2
Denmark	(DKr)	5.9295	+0.005	280 - 310	5.9368	5.9240	5.922	1.5	5.905	1.7	5.836	1.6	106.4
Finland	(FM)	4.7101	-0.0007	068 - 133	4.7184	4.6929	4.7036	1.7	4.6916	1.6	4.6461	1.4	82.5
France	(FFr)	5.2035	+0.0048	030 - 040	5.2085	5.1913	5.1985	1.5	5.1823	1.6	5.1145	1.7	108.3
Germany	(DM)	1.5360	+0.0015	357 - 362	1.5382	1.5339	1.5335	2.0	1.5277	2.1	1.4985	2.4	107.5
Greece	(Dr)	242.455	+0.13	400 - 510	242.830	242.190	244.13	-8.5	247.48	-8.5	261.455	-7.8	67.0
Ireland	(I£)	1.5726	-0.0072	716 - 736	1.5789	1.5715	1.5732	-0.4	1.574	-0.4	1.5855	0.4	-
Italy	(L)	1551.40	+0.1	080 - 200	1554.69	1549.15	1556.15	-3.7	1564.3	-3.3	1587.05	-2.3	76.1
Luxembourg	(LFr)	31.6000	+0.02	800 - 200	31.6270	31.5850	31.547	2.0	31.4605	2.0	30.96	2.0	106.2
Netherlands	(Fl)	1.7196	+0.0017	190 - 200	1.7249	1.7163	1.7162	2.3	1.709	2.4	1.6773	2.5	106.2
Norway	(NKr)	6.5651	+0.0025	613 - 688	6.5744	6.5260	6.5621	0.5	6.5565	0.5	6.5201	0.7	97.8
Portugal	(Es)	158.350	-0.02	300 - 400	158.500	157.970	158.665	-2.4	159.255	-2.3	161.4	-1.9	94.5
Spain	(Pta)	129.595	+0.1[illegible]	570 - 620	129.730	129.530	129.845	-2.3	130.275	-2.1	131.815	-1.7	79.8
Sweden	(SKr)	6.7489	-0.003	445 - 533	6.7651	6.7427	6.7598	-2.0	6.7774	-1.7	6.8194	-1.0	86.8
Switzerland	(SFr)	1.2670	+0.001	666 - 674	1.2708	1.2655	1.2634	3.4	1.256	3.5	1.2225	3.5	109.7
UK	(£)	1.5313	-0.0104	310 - 316	1.5377	1.5310	1.5308	0.4	1.5304	0.2	1.5292	0.1	85.9
Ecu	-	1.2315	-0.0008	310 - 315	1.2329	1.2300	1.2321	-0.7	1.2337	-0.8	1.2486	-0.8	-
SDR†	-	0.69672	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9965	-	965 - 967	0.9966	0.9965	-	-	-	-	-	-	-
Brazil	(R$)	0.9997	+0.0005	995 - 998	0.9999	0.9992	-	-	-	-	-	-	-
Canada	(C$)	1.3639	-0.0015	635 - 640	1.3647	1.3625	1.3636	0.1	1.3639	0.0	1.3687	-0.2	83.5
Mexico	(New Peso)	7.5025	-0.0195	000 - 050	7.5070	7.4995	7.564	-25.8	7.649	-19.5	8.6125	-28.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.3
Pacific/Middle East/Africa													
Australia	(A$)	1.2807	-0.0027	604 - 612	1.2817	1.2800	1.2827	-1.9	1.2862	-1.7	1.2949	-1.9	95.3
Hong Kong	(HK$)	7.7395	-0.0005	390 - 400	7.7416	7.7310	7.7402	-0.1	7.742	-0.1	7.7[illegible]	-0.4	-
India	(Rs)	34.8000	-	000 - 000	35.0010	34.5700	34.95	-5.2	35.255	-5.2	36.725	-5.5	-
Israel	(Shk)	3.2561	-0.0124	551 - 591	3.2808	3.2510	-	-	-	-	-	-	-
Japan	(Y)	109.085	+0.035	050 - 120	109.550	108.890	108.84	4.9	107.74	4.9	104	4.7	134.8
Malaysia	(M$)	2.4980	+0.0015	965 - 995	2.5010	2.4978	2.4989	-0.4	2.506	-1.1	2.5295	-1.2	-
New Zealand	(NZ$)	1.4854	-0.0071	848 - 859	1.4888	1.4839	1.4886	-2.5	1.4943	-2.4	1.5169	-2.3	-
Philippines	(Peso)	26.1800	-	400 - 200	26.2200	26.1400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0001	504 - 506	3.7507	3.7504	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4093	+0.0003	088 - 098	1.4100	1.4085	1.4068	3.0	1.3998	2.7	1.3743	2.5	-
South Africa	(R)	4.3540	-0.01	525 - 555	4.3630	4.3440	4.4015	-13.1	4.4915	-12.6	4.829	-10.9	-
South Korea	(Won)	790.400	+2.55	000 - 800	791.300	789.400	-	-	-	-	-	-	-
Taiwan	(T$)	27.7310	+0.004	260 - 360	27.8170	27.7200	27.736	-0.2	27.741	-0.1	-	-	-
Thailand	(Bt)	25.3580	-0.002	550 - 650	25.3730	25.3450	25.4567	-4.7	25.6605	-4.6	26.645	-4.7	-

† SDR rate per $ for Jun 6 Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 6: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

June 10	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3⅜	3¼	3¼	3⅜	3½	7.00	2.50	-
week ago	3⅜	3¼	3¼	3⅜	3⅜	7.00	2.50	-
France	3¾	3¾	3⅞	3⅞	4⅛	3.60	-	5.60
week ago	3¾	3¾	3⅞	4	4⅛	3.70	-	5.60
Germany	3⅝	3¼	3¼	3¼	3¾	4.50	2.50	3.30
week ago	3¾	3¼	3⅜	3⅜	3⅝	4.50	2.50	3.30
Ireland	5½	5½	5¾	5⅝	5⅝	-	-	6.25
week ago	5⅛	5½	5½	5¼	4½	-	-	6.25
Italy	9⅛	9	8⅞	8½	8⅝	-	9.00	9.35
week ago	9¼	9	8⅞	8¾	8⅞	-	9.00	9.25
Netherlands	2¾	2¾	2¾	2¾	3⅛	-	3.00	3.30
week ago	2¾	2¾	2⅞	2⅞	2¾	-	3.00	3.30
Switzerland	2⅛	2⅞	2⅞	2⅞	2¾	5.00	1.50	-
week ago	3¼	2⅞	2⅞	2⅞	2¾	5.00	1.50	-
US	5⅛	5⅜	5½	5⅝	5⅞	-	5.00	-
week ago	5¼	5⅜	5½	5¾	6⅛	-	5.00	-
Japan	⅜	½	⅝	⅜	⅝	-	0.50	-
week ago	½	½	½	⅜	¾	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅝	5⅞	6⅛	-	-	-
week ago	-	5⅜	5⅝	5⅞	6⅛	-	-	-
US Dollar CDs	-	4.96	5.17	5.40	5.86	-	-	-
week ago	-	4.98	5.10	5.33	5.77	-	-	-
ECU Linked Ds	-	4¾	4¾	4¾	4½	-	-	-
week ago	-	4¾	4⅝	4⅝	4¾	-	-	-
SDR Linked Ds	-	3⅝	3¾	3⅞	3⅞	-	-	-
week ago	-	3⅝	3⅝	3⅞	3¾	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 5/16 - 3 3/16	3⅜ - 3¼	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3⅜ - 3¼	3½ - 3⅜
Danish Krone	4 - 3¾	4 1/16 - 3 15/16	3 15/16 - 3¾	4 1/16 - 3 15/16	4 1/16 - 3⅞	4¼ - 4⅛
D-Mark	3 7/16 - 3 5/16	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3 19/32 - 3 15/32
Dutch Guilder	2¾ - 2⅝	2¾ - 2⅝	2 25/32 - 2 21/32	2 25/32 - 2 21/32	2 27/32 - 2 23/32	3 1/32 - 2 29/32
French Franc	3 27/32 - 3 23/32	3 13/16 - 3 11/16	3 27/32 - 3¾	3 29/32 - 3 25/32	4 1/16 - 3 15/16	4⅜ - 4¼
Portuguese Esc.	7½ - 7⅜	7⅞ - 7 11/16	7⅝ - 7½	7 9/16 - 7 7/16	7⅝ - 7½	7⅝ - 7½
Spanish Peseta	7 9/16 - 7 7/16	7⅝ - 7½	7 11/16 - 7 9/16	7 11/16 - 7 9/16	7⅝ - 7½	7 11/16 - 7 9/16
Sterling	5 27/32 - 5 23/32	5 27/32 - 5 23/32	5 27/32 - 5 23/32	5 27/32 - 5 23/32	5 29/32 - 5 25/32	6¼ - 6⅛
Swiss Franc	2¼ - 2⅛	2 5/16 - 2 3/16	2 5/16 - 2 3/16	2⅜ - 2 5/16	2 7/16 - 2 5/16	2¾ - 2⅝
Can. Dollar	4¾ - 4⅝	4¾ - 4⅝	4¾ - 4⅝	4⅞ - 4¾	4 15/16 - 4 13/16	5⅜ - 5¼
US Dollar	5¼ - 5⅛	5⅜ - 5¼	5⅜ - 5¼	5⅝ - 5½	5⅞ - 5¾	6¼ - 6⅛
Italian Lira	9⅛ - 9	9 1/16 - 8 15/16	9⅛ - 9	8 29/32 - 8 25/32	8 27/32 - 8 23/32	8⅞ - 8 23/32
Yen	½ - 7/16	½ - 7/16	½ - 7/16	17/32 - 15/32	19/32 - 17/32	25/32 - 23/32
Asian $Sing	2⅜ - 2¼	2 13/32 - 2 9/32	2 13/32 - 2 9/32	2 13/32 - 2 9/32	2⅝ - 2½	2 29/32 - 2 25/32

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.02	96.03	+0.01	96.04	96.02	7,971	46,020
Sep	95.92	95.91	-0.02	95.94	95.90	9,692	65,529
Dec	95.77	95.77	-0.01	95.80	95.76	2,106	21,124

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.67	96.65	-0.02	96.67	96.65	9300	162965
Sep	96.71	96.67	-0.04	96.72	96.67	33441	237482
Dec	96.50	96.48	-0.02	96.52	96.47	20141	203379
Mar	96.23	96.20	-0.02	96.24	96.19	14571	175026

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.23	91.24	+0.03	91.26	91.21	3738	39541
Sep	91.80	91.84	+0.04	91.85	91.80	8062	45099
Dec	92.12	92.14	+0.03	92.17	92.12	1300	28743
Mar	92.20	92.20	+0.05	92.21	92.17	487	12323

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.48	97.49	-0.01	97.53	97.48	1909	19730
Sep	97.49	97.46	-0.02	97.53	97.46	3615	36745
Dec	97.28	97.27	+0.01	97.32	97.27	696	14973
Mar	96.98	96.96	-0.03	97.01	96.95	129	6747

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.29	-0.01	-	-	0	n/a
Sep	-	99.11	-0.02	-	-	0	n/a
Dec	98.76	98.76	-0.04	98.76	98.76	566	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.60	95.59	-	95.60	95.59	409	8019
Sep	95.61	95.60	-	95.61	[illegible]	[illegible]	5072
Dec	95.50	95.50	-	95.50	95.50	60	3772
Mar	-	95.25	-	-	-	0	2609

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.76	16.47	4.861	2.013	4910	5.472	20.91	501.1	412.5	21.85	4.009	2.067	4.315	3.164	345.1	2.570
Denmark	(DKr)	53.29	10	8.775	2.590	1.073	2617	2.916	11.16	267.1	219.8	11.38	2.137	1.101	2.300	1.686	183.9	1.370
France	(FFr)	60.73	11.40	10	2.952	1.222	2982	3.323	12.70	304.3	250.5	12.98	2.435	1.255	2.620	1.921	209.6	1.561
Germany	(DM)	20.57	3.861	3.388	1	0.414	1010	1.126	4.306	103.1	84.86	4.392	0.825	0.425	0.888	0.651	71.00	0.529
Ireland	(I£)	49.68	9.322	8.181	2.415	1	2439	2.719	10.39	249.0	204.9	10.61	1.992	1.027	2.144	1.572	171.5	1.277
Italy	(L)	2.037	0.382	0.335	0.099	0.041	100.	0.111	0.426	10.21	8.401	0.435	0.082	0.042	0.088	0.064	7.029	0.052
Netherlands	(Fl)	18.27	3.429	3.009	0.888	0.368	897.3	1	3.822	91.58	75.38	3.901	0.733	0.378	0.789	0.578	63.07	0.470
Norway	(NKr)	47.82	8.972	7.874	2.324	0.962	2348	2.617	10	239.6	197.2	10.21	1.917	0.989	2.063	1.513	165.0	1.229
Portugal	(Es)	19.95	3.744	3.286	0.970	0.402	979.8	1.092	4.173	100.	82.31	4.260	0.800	0.412	0.861	0.631	68.87	0.513
Spain	(Pta)	24.24	4.549	3.992	1.178	0.488	1190	1.327	5.070	121.5	100.	5.175	0.972	0.501	1.046	0.767	83.67	0.623
Sweden	(SKr)	46.84	8.790	7.713	2.277	0.943	2300	2.563	9.797	234.8	193.2	10	1.878	0.968	2.021	1.482	161.7	1.204
Switzerland	(SFr)	24.94	4.680	4.107	1.212	0.502	1225	1.365	5.216	125.0	102.9	5.325	1	0.515	1.076	0.789	86.08	0.641
UK	(£)	48.39	9.080	7.966	2.352	0.974	2376	2.648	10.12	242.5	199.6	10.33	1.940	1	2.088	1.531	167.0	1.244
Canada	(C$)	23.18	4.349	3.816	1.126	0.466	1138	1.268	4.847	116.1	95.59	4.947	0.929	0.479	1	0.733	79.98	0.596
US	($)	31.61	5.931	5.204	1.536	0.636	1552	1.730	6.610	158.4	130.4	6.747	1.267	0.653	1.364	1	109.1	0.812
Japan	(Y)	28.98	5.437	4.771	1.408	0.583	1422	1.586	6.060	145.2	119.5	6.186	1.162	0.599	1.250	0.917	100.	0.745
Ecu		38.91	7.301	6.407	1.891	0.783	1910	2.129	8.137	195.0	160.5	8.306	1.560	0.804	1.679	1.231	134.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6503	0.6517	+0.0005	0.6520	0.6503	29,284	64,344
Sep	0.6540	0.6552	+0.0005	0.6558	0.6536	2,055	18,568
Dec	-	0.6590	+0.0001	0.6590	-	66	1,641

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7861	0.7900	+0.0016	0.7902	0.7875	19,539	35,527
Sep	0.7940	0.7958	+0.0015	0.7961	0.7940	4,862	10,063
Dec	0.8026	0.8020	+0.0011	0.8020	-	19	882

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9158	0.9176	+0.0012	0.9192	0.9138	31,016	66,178
Sep	0.9272	0.9295	+0.0016	0.9312	0.9256	13,544	24,744
Dec	-	0.9400	-	-	0.9366	61	3,366

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5426	1.5390	-0.0084	1.5474	1.5320	20,922	64,109
Sep	1.5460	1.5324	-0.0080	1.5462	1.5310	7,676	14,087
Dec	-	1.5374	-	-	1.5320	9	82

UK INTEREST RATES

LONDON MONEY RATES

Jun 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 5½	5 13/16 - 5⅝	5 13/16 - 5 11/16	5⅞ - 5¾	6 - 5⅞	6¼ - 6⅛
Sterling CDs	-	-	5 13/16 - 5 11/16	5 13/16 - 5¾	5⅞ - 5 13/16	6⅛ - 6
Treasury Bills	-	-	5 11/16 - 5⅝	5 21/32 - 5 19/32	-	-
Bank Bills	-	-	5 21/32 - 5 19/32	5 21/32 - 5⅝	5 27/32 - 5 23/32	-
Local authority deps.	5 13/16 - 5 11/16	5 13/16 - 5¾	5 13/16 - 5 11/16	5⅞ - 5¾	6 - 5⅞	6 3/16 - 6 1/16
Discount Market deps	6 - 5⅝	5 13/16 - 5 11/16	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Jun 6, 5.6301pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1996. Agreed rate for period Jun 26, 1996 to Jul 23, 1996, Schemes II & III 7.35pc. Reference rate for period May 1, 1996 to May 31, 1996, Schemes IV & V 6.104pc. Finance House Base Rate 6.5pc from Jun 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.10	94.10	+0.02	94.11	94.09	11343	80511
Sep	94.09	94.12	+0.05	94.14	94.09	19782	80942
Dec	93.84	93.91	+0.07	93.93	93.84	18002	79157
Mar	93.48	93.54	+0.09	93.57	93.47	13299	54086
Jun	93.07	93.14	+0.09	93.17	93.06	7348	37860

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9400	0.10	0.18	0.17	0	0.06	0.28
9425	0	0.06	0.08	0.15	0.19	0.44
9450	0	0.01	0.03	0.40	0.39	0.64

Est. vol. total, Calls 5910 Puts 7957. Previous day's open int., Calls 189127 Puts 136017

ERM EUROPEAN CURRENCY UNIT RATES

Jun 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.520	-0.265	-0.60	2.02	4
Netherlands	2.15214	2.14219	+0.00033	-0.46	1.88	3
Ireland	0.792214	0.791245	+0.0016	-0.12	1.55	1
Belgium	39.3960	39.3709	+0.005	-0.06	1.47	0
Germany	1.91007	1.91419	+6e-05	0.22	1.19	-2
Austria	13.4383	13.4710	+0.0008	0.24	1.16	-2
Portugal	195.792	197.462	-0.113	0.85	0.55	-6
France	6.40608	6.48322	-0.00575	1.20	0.20	-10
Denmark	7.28580	7.38830	-0.00269	1.41	0.00	-10
NON ERM MEMBERS						
Greece	292.867	302.210	-0.276	3.19	-1.73	-
Italy	2106.15	1932.62	-4.61	-8.24	10.51	-
UK	0.786652	0.812135	+0.003007	3.24	-1.76	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.490	4.80	-	-	-	0.09	0.17
1.500	3.80	3.86	4.09	-	0.16	0.31
1.510	2.80	3.00	3.30	-	0.29	0.52
1.520	1.89	2.26	2.56	-	0.45	0.80
1.530	1.05	1.58	2.01	0.15	0.71	1.16

Previous day's vol., Calls 4,378 Puts 5,392 . Prev. day's open int., Calls 196,573 Puts 191,606

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.41	94.41	-0.01	94.42	94.40	73,053	331,297
Sep	94.07	94.07	-	94.08	94.06	164,119	386,590
Dec	93.70	93.70	-	93.73	93.71	250,818	422,859

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.87	94.88	+0.01	94.87	94.86	302	6,185
Sep	94.54	94.55	+0.01	94.55	94.54	571	5,114
Dec	94.25	94.27	-	94.27	94.25	52	1,390

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9650	0.16	0.19	0.21	0.22	0.01	0.02	0.04	0.05
9675	0.01	0.03	0.06	0.07	0.11	0.11	0.14	0.15
9700	0	0.01	0.01	0.01	0.35	0.34	0.34	0.34

Est. vol. total, Calls 8660 Puts 5854. Previous day's open int., Calls 365796 Puts 400142

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9750	0.04	0.15	0.14	0.05	0.19	0.37
9775	0.01	0.06	0.06	0.27	0.35	0.54

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 11049 Puts 6971

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9100	0.25	0.92	1.24	0.01	0.08	0.10
9125	0.05	0.70	1.01	0.06	0.11	0.12
9150	0.02	0.50	0.80	0.28	0.16	0.16

Est. vol. total, Calls 85 Puts 965. Previous day's open int., Calls 31884 Puts 28555

BASE LENDING RATES

	%
Adam & Company	5.75
Allied Trust Bank	5.75
AIB Bank	5.75
●Henry Ansbacher	5.75
Bank of Baroda	5.75
Banco Bilbao Vizcaya	5.75
Bank of Cyprus	5.75
Bank of Ireland	5.75
Bank of India	5.75
Bank of Scotland	6.00
Barclays Bank	5.75
Brit Bk of Mid East	5.75
●Brown Shipley & Co Ltd	5.75
Citibank NA	5.75
Clydesdale Bank	5.75
The Co-operative Bank	6.00
Coutts & Co	5.75
Credit Lyonnais	5.75
Cyprus Popular Bank	6.00
Duncan Lawrie	5.75
Exeter Bank Limited	7.00
Financial & Gen Bank	7.00
●Robert Fleming & Co	5.75
Girobank	6.00
●Guinness Mahon	5.75
Habib Bank AG Zurich	5.75
●Hambros Bank	5.75
Heritable & Gen Inv Bk.	5.75
●Hill Samuel	6.00
C. Hoare & Co	5.75
Hongkong & Shanghai	5.75
Julian Hodge Bank	5.75
●Leopold Joseph & Sons	5.75
Lloyds Bank	5.75
Meghraj Bank Ltd	5.75
Midland Bank	6.00
* Mount Credit Corp	6.25
NatWestminster	6.00
●Rea Brothers	5.75
Royal Bk of Scotland	6.00
●Singer & Friedlander	5.75
●Smith & Williamson Secs	5.75
Scottish Widows	5.75
TSB	5.75
United Bank of Kuwait	6.00
Unity Trust Bank Plc	5.75
Western Trust	5.75
Whiteaway Laidlaw	5.75
Yorkshire Bank	5.75

● Members of London Investment Banking Association

* In administration

LEGAL NOTICES

No. 003083 of 1996

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF
GETTY COMMUNICATIONS LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 31st May 1996 for the confirmation of the reduction of the share premium account of the above named Company by £8,158,904.

ANT NOTICE is further given that the said *Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice*, Strand, London WC2A 2LL on Wednesday the 19th day of June 1996.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of share premium account should appear at the time of the hearing in person or by Counsel for that purpose

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 11th day of June 1996

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref.KO
Solicitors to the Company

No 002964 of 1996

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF WEMBLEY PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice Chancery Division on 28th May 1996 for the confirmation of the reduction of share capital from £97,100,000 to £73,812,243, the cancellation of £67,500 standing to the credit of the capital redemption reserve and the reduction of the share premium account of the above named Company by £66,596,744.

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice Strand, London WC2A 2LL on Wednesday the 19th day of June 1996.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital, *cancellation of capital redemption reserve and* reduction of share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 11th day of June 1996

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: KO
Solicitors to the Company

هكذا من الأصل

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT [illegible], a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAV) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.

[illegible]

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

LGT Asset Management Ltd - Contd.

IRELAND (REGULATED)(**)

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.I.T. Investment Trust Ltd (z)

Falcon Market Fund Plc

ISLE OF MAN (SIB RECOGNISED)

Sun Life Management (IoM) Ltd

Ulster Bank Global Funds Plc

Outbank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Lombard Odier (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Fidelity Funds - Contd.

Sarasin Investment SICAV (a)

Schroder International Selection Fd (a)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

هكذا من الاصل

LONDON STOCK EXCHANGE

MARKET REPORT

Producer price news helps UK equities rally

By Steve Thompson,
UK Stock Market Editor

Better than expected UK producer price data and Wall Street's astonishing recovery last Friday, when it closed 29 points up after an initial 80-point fall, saw London's equity market regain its composure and make strong progress yesterday.

But a number of dealers around the City's trading rooms warned of the potential for more market upsets on both sides of the Atlantic throughout the week.

It was a startlingly strong US non-farm payroll report published on Friday, showing twice the amount of new jobs than had been expected, that triggered the big initial slide on Wall Street and across European stock markets.

The leap in the non-farm payroll ignited fears that the Federal Reserve will increase US interest rates, to stifle inflation, at the next Federal Open Market Committee meeting on July 2.

"It has been a tricky time in London over the past week or so and I do not expect it to get any easier," said the head of marketmaking at one of the top European securities houses. "I do not trust the market at these levels," he added, pointing to a long list of company news items expected this week and the slew of crucial economic data in the US and Europe during the period.

The real disappointment in the market yesterday came with the dismal level of activity. Turnover at the 6pm calculation came out at a worryingly low 518.9m shares, the poorest daily turnover level for many weeks.

That number is expected to reflect a level of customer activity closer to £1bn than the near £2bn numbers of recent sessions.

At the close of business, the FT-SE 100 index was 22.0 higher at 3,728.8. There was again much less conviction about the second liners, represented by the FT-SE Mid 250 index, which struggled to make any real progress for much of the session, before gaining momentum and ending a net 6.8 up at 4,452.6.

There was disappointment at Wall Street's performance yesterday, when the Dow Jones Industrial Average gave up around 25 points shortly after trading began.

And later this week the US market has to contend with producer price numbers – due today – inflation figures tomorrow and retail sales data on Thursday. Friday brings details of industrial and manufacturing production.

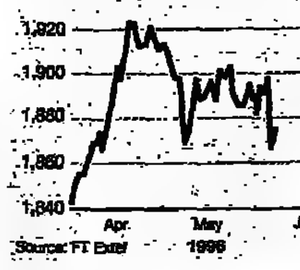
UK data due this week includes unemployment figures and inflation news for May, both of which upset market sentiment.

Wednesday sees Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, addressing the assembly at the Mansion House.

The day's big story was the news that Standard Life, the Scottish mutual, is to sell the majority of its 32.5 per cent stake in Bank of Scotland via a secondary offering, in the form of a book-building exercise.

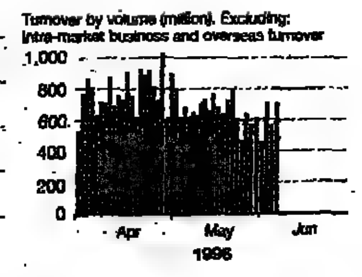
There was talk in the market yesterday, however, that the stock could be sold much sooner, via a placing around the 225p a share mark. While a placing would remove one of the big stock overhangs that have capped the stock market recently, there remains the threat of other big rights issues.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3728.8	+22.0	FT Ordinary index	2766.4	+14.2
FT-SE Mid 250	4452.6	+6.8	FT-SE-A Non Fins p/e	16.76	16.68
FT-SE-A 350	1887.3	+9.2	FT-SE 100 Fut Jun	3725.0	+20.0
FT-SE-A All-Share	1674.87	+8.71	10 yr Gilt yield	8.06	8.07
FT-SE-A All-Share yield	3.84	3.85	Long gilt/equity yld ratio:	2.18	2.16

Best performing sectors

1 Tobacco ......+3.0
2 Gas Distribution ......+1.5
3 Leisure & Hotels ......+1.2
4 Oil Exploration & Prod ......+1.1
5 Oil: Integrated ......+1.0

Worst performing sectors

1 Water ......–1.5
2 Electricity ......–0.8
3 Other Financial ......–0.5
4 Electronic & Elect Equip ......–0.1
5 Engineering: Vehicles ......–0.0

Bank bid premium fades

Bank of Scotland was backmarker in the Footsie as Standard Life announced that it would sell its 30 per cent stake in the bank in the market.

There was talk around the market, however, that the stake may yet be placed in the market if Standard gets a good offer for the stock. One rumour yesterday was that the shares would be placed at 225p after Bank of Scotland's annual meeting scheduled for today.

Standard's statement scotched hopes of a straightforward bid for the bank and consequently pushed the BoS share price down by 16½ to 248p in the heaviest volume in the sector. Turnover was 7.7m shares.

The stock did not fall any further because it still retains some lingering bid premium. Dealers suggested that any interested party could let the shares dribble off and then step in with an offer of 280p a share and pick the bank up relatively cheaply.

Royal Bank of Scotland, which was flat at 509p, was dragged down by the prospect of a big stock overhang in the market.

One specialist salesman commented: "The Standard sale is effectively a £1bn rights issue, and if you are not going to go overweight in the sector you have to take the money from somewhere."

Securicor tumbled steeply on the first day of its new, streamlined capital structure, with sentiment running visibly counter to the bullish tone adopted by a number of brokerage houses.

Dealers said it was a case of straightforward profit-taking after the recent strong run. But there were also whispers that part of the management stake had found its way into the market.

The new capital structure is aimed at making the stock more accessible to both buyers and sellers, and yesterday it was rumoured that a number of long-term holders had been shaken out. The shares ended 10 cheaper at 310p.

The performance was at odds with several brokers' buy recommendations. NatWest Securities, for example, put out a note which suggested that the rating at Securicor, which has a 40 per cent stake in the Cellnet mobile phone system, "should reflect an element of bid premium".

NatWest's fair value price for the shares is 350p, while it pinpoints 385p as its overall target price.

BT was the most active Footsie stock, following news of the group's Internet link with MCI, of the US, in a deal that takes in Japanese telecoms giant NTT on the data supply side. The shares closed 6 better at 368½p in volume of 12m.

A shortage of stock was said to have helped British Aerospace to power to an all-time high. Over the past three trading days the shares have risen 7 per cent.

Hopes for big defence contracts are running high, but the main thrust to the shares in recent sessions has been a positive note from Merrill Lynch. This places a value of £14 a share on BAe, taking a bullish line on notional flotation values for the Airbus consortium, in which BAe has a 20 per cent interest.

The shares jumped a further 19 to 956p. Most City engineering teams put a value of between £10 and £12 on BAe's core businesses.

Lucas Industries came off 2 to 237p, in 10m traded, as arbitrage positions continued to unwind on the news that BBA was not, after all, to bid for the group.

Pearson, the media conglomerate which owns the Financial Times, drifted off 9 to 659½p, with some switching into Reed International, which gained 15 at 1107p.

Investors are still smarting over Pearson's losses resulting from the acquisition of Mindscape, the Californian software group, and there have been some concerns that it is about to make another US purchase.

BSkyB rose 6½ to 437p after securing the right to broadcast all rugby union games played at Twickenham, in an £87.5m five-year deal.

Speculation that W.H. Smith will dispose of its stake in Do It All to Boots, with which it jointly owns the DIY chain, helped lift the newsagent by 21 to 481p.

Analysts said that Smith, which will announce the results of its four-month long strategic review tomorrow, could offer a £50m sweetener to Boots, courtesy of the proceeds of the sale of its business stationery company earlier this year. Boots eased 3 to 595p.

A secondary factor in the share price fall was news that Asda, the supermarkets group, is to cut the price of Anadin paracetamol, one of the non-prescription drug industry's biggest-selling brands. The move marks a renewed attempt to break price-fixing by drug manufacturers. Asda hardened to 116½p.

Shell Transport climbed 13½ to 927½p with help from news of its involvement in a new Dow Chemical polypropylene venture. It was also supported by currency shifts.

Cairn Energy jumped 27 to 301p on speculation of a bid from Mobil. Analysts felt a takeover was unlikely but argued that the US group could well be poised to fund development of Cairn's big offshore gas find in Bangladesh.

British Airways hardened as long-running rumours of a marketing link with American Airlines resurfaced. The US press have lately been pushing the story hard, and the shares gained 4 to 553p.

Gaming and leisure company Ladbroke Group shrugged off recent weakness and put on 6 at 188p, to make it the best performer in the Footsie. Volume was a busy 9.1m.

The shares fell back last week on news that Hilton Hotels, of the US, was acquiring Bally Gaming. Dealers suggested that the move cast doubts on the possibility of a merger between Hilton Hotels Corp and Ladbroke's Hilton International.

However, talks between the two groups continue and one analyst said yesterday, "We see little connection between Hilton Corp buying Bally and the talks with Ladbroke."

There was keen interest in leisure giant Rank Organisation as the market digested Friday's announcement after the market close that it is acquiring the Hard Rock Cafe restaurants it does not already own. The shares rose 11 to 511p in trade of 2.3m.

Thorn EMI rose 5 to 1538p ahead of today's final results.

Among conglomerates, Berisford dropped 15 to 202p following broker profits downgrades after a disappointing set of results. ABN Amro Hoare Govett trimmed by £1.5m to £35m for this year.

The second tier of brewing and restaurant companies was active, led by Regent Inns, which jumped 9 to 248p following its five-for-one share split and the announcement that it had taken a 5.55 per cent stake in Surrey Free Inns, the AIM stock. Surrey rose 2 to 270p.

The stake brought a whiff of speculative interest to a couple of the smaller companies in the sector, including J.D. Wetherspoon, up 7 at 978p.

Porter Chadburn hardened to 40p as the market absorbed the news that the company's £10m rights issue had achieved a 95.3 per cent take-up.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Jeffrey Brown, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	Jun 10	Jun 7	Jun 6	Jun 5	Jun 4	Yr ago	*High	*Low
Ordinary Share	2766.4	2752.2	2799.3	2792.9	2792.2	2512.6	2885.2	2696.7
Ord. div. yield	4.01	4.03	3.96	3.99	3.98	4.25	4.06	3.76
P/E ratio net	16.08	16.01	16.23	16.18	16.18	15.74	17.25	15.96
P/E ratio nil	15.87	15.80	16.02	15.96	15.97	15.60	17.06	15.76

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2766.5	2761.1	2766.4	2766.5	2767.6	2770.1	2770.2	2770.1	2770.6	2772.7	2759.7

	Jun 10	Jun 7	Jun 6	Jun 5	Jun 4	Yr ago
SEAQ bargains	31,066	32,397	33,724	32,595	31,716	21,[illegible]
Equity turnover (£m)†	–	1871.4	1893.1	1765.7	1946.8	1175.7
Equity bargains†	–	[illegible]	39,944	37,950	[illegible]	32,268
Shares traded (mil)†	–	607.7	706.7	561.5	711.0	477.2

†Excluding intra-market business and overseas turnover.

	Jun 10	Jun 7	Jun 6	Jun 5	Jun 4	Yr ago	*High	*Low
FT-SE AIM	1101.70	1097.40	1102.00	1101.40	1104.30	–	1149.40	995.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	316	Total Highs	113	Total contracts	35,828
Total Falls	385	Total Lows	38	Calls	15,683
Same	1560			Puts	20,145

June 10*Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3726.0	3725.0	+16.0	3737.0	3715.0	10150	42959
Sep	3730.0	3730.0	+15.5	3741.5	3724.0	1240	21201
Dec	3758.0	3755.0	+16.0	3758.0	3758.0	50	815

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4460.0	4450.0	+6.0	4450.0	4450.0	385	1157
Sep	4487.0	4486.0	+6.0	4487.0	4486.0	386	3038

■ FT-SE 100 INDEX OPTION (LIFFE) (*3731) £10 per full index point

	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P
Jun	181	1	131	2½	83	7	45	19	17	43½	4	81	1	130	1	180
Jul	186½	10	144½	17	105½	28	72	44½	44	66	35	99	12	138½	4½	185
Aug	195½	24½	156½	35½	120	46	89	66½	64	91½	41½	120½	25½	154	14	194
Sep	216	39½	178	51½	145	66	114½	86½	89½	110	65	136½	49½	169½	30	203½
Dec†			232½	85½			176	121½			121	172			81	233

Calls 8,368 Puts 5,686

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P
Jun	162	2½	165	5½	62	12½	28	28	6½	59	2	101½	1	150	1	199½
Jul	164½	12½	123½	21	87½	34½	57	54	33½	80	17	113½	7½	153½	3	199
Aug	175	28½	138	41	105	57½	75½	77½	51½	102½	32½	133	18½	169	9½	209½
Sep			160	56½			97½	92½			53½	147			26	217½
Dec†			219½	94			161½	132½			112	180			74	236½

Calls 4,096 Puts 5,546 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	75.0	105	100	Aberforth Smlr C	100		–	–	–	–
–	P.P.	4.02	85	43	Biocompatibles W	81		–	–	–	–
105	F.P.	12.5	124	118	†CA Coutts	118		–	–	–	–
80	F.P.	10.6	108	85	†Carisbrooke	109		–	–	–	–
–	P.P.	59.2	91	36	†Emlach	[illegible]		–	–	–	–
–	P.P.	20.8	116	100	†Esprit Multimedia	[illegible]		–	–	–	–
116	F.P.	46.8	156	130	European Telecom	[illegible]	[illegible]	–	–	–	–
60	F.P.	3.25	65	66	†Fieldens	[illegible]		–	–	–	–
–	F.P.	22.8	97½	91	Gartmore Select	[illegible]		–	–	–	–
–	F.P.	1.38	85	80	†Hercules Prop	[illegible]		–	–	–	–
100	F.P.	7.74	116	112	Hydro-Dynamic P	[illegible]	[illegible]	–	–	–	–
–	F.P.	27.2	101	90	INVESCO E & I C	[illegible]		–	–	–	–
–	P.P.	14.2	116	106	†Independent Ergy	[illegible]		–	–	–	–
200	F.P.	43.5	300	[illegible]	Lunar[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
–	F.P.	54.7	203	168	†Mulberry Group	175	–1	–	–	–	–
–	F.P.	29.2	225	180	†Prism Rail	225	+20	–	–	–	–
190	P.P.	2,080	228	205	Railtrack	216	+1½	W20.6	2.6	8.4	7.5
70	F.P.	32.4	123	103	Recognition Sys	120		–	–	–	–
–	F.P.	24.5	99	98	Renaissance US G	98		–	–	–	–
–	F.P.	16.9	75	75	SEA Multimedia	75		–	–	–	–
–	F.P.	18.5	195	98	Schroder Venture	164		–	–	–	–
–	F.P.	–	97	90	Taiwan Inv Tst C	91½		–	–	–	–
–	F.P.	22.5	15	7¼	†Thomas Potts	12½		–	–	–	–
–	F.P.	3.10	56	43	†Tom Hoskins	55	+2	–	–	–	–
84	F.P.	3.84	95	91	†Wiltscross	93		–	–	–	–

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jun 7	% chg on day	Jun 6	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2178.00	–0.8	2197.91	1980.25	1.41	–	2698.73	1722.59
■ Regional Indices								
Africa (13)	2947.97	–0.9	2976.00	2515.02	2.46	40.17	3698.66	2272.74
Australasia (6)	2577.68	+4.1	2476.72	2161.84	2.54	29.11	2827.34	2086.51
North America (12)	1903.22	–1.0	1922.66	1690.05	0.71	67.67	2188.39	1485.94

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FT-SE Actuaries Share Indices — The UK Series

	Jun 10	Day's chge%	Jun 7	Jun 6	Jun 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3728.8	+0.6	3706.8	3760.3	3752.4	3344.6	4.06	2.15	14.30	86.48	1526.18
FT-SE Mid 250	4452.6	+0.2	4445.8	4480.8	4476.0	3559.3	3.41	1.75	21.00	91.01	1787.75
FT-SE Mid 250 ex Inv Trusts	4497.2	+0.1	4492.1	4523.0	4518.3	3569.4	3.51	1.79	19.66	95.27	1808.34
FT-SE-A 350	1887.3	+0.5	1878.1	1902.4	1899.2	1680.6	3.92	2.07	15.41	42.81	1577.81
FT-SE-A 350 Higher Yield	1817.6	+0.7	1805.3	1831.7	1827.1	1579.2	5.16	1.92	12.57	60.60	1270.26
FT-SE-A 350 Lower Yield	1964.4	+0.3	1958.1	1980.4	1976.8	1641.7	2.76	2.35	19.44	35.03	1361.17
FT-SE SmallCap	2242.92	+0.2	2239.44	2244.36	2239.10	1866.52	2.81	1.77	24.27	31.43	1640.24
FT-SE SmallCap ex Inv Trusts	2246.84	+0.1	2243.82	2245.53	2239.32	1865.99	3.07	1.86	21.96	33.21	1655.15
FT-SE-A ALL-SHARE	1874.87	+0.5	1866.16	1886.69	1885.49	1641.65	3.84	2.06	15.88	41.01	1591.63

■ FT-SE Actuaries All-Share

	Jun 10	Day's chge%	Jun 7	Jun 6	Jun 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3489.09	+1.0	3435.91	3485.88	3462.87	2854.18	3.86	1.88	17.66	79.05	1494.69
12 Extractive Industries(4)	4367.35	+0.6	4340.20	4329.25	4417.80	3794.45	3.70	2.50	13.62	109.19	1285.17
15 Oil, Integrated(3)	3508.12	+1.0	3472.93	3509.27	3492.01	2850.93	4.06	1.72	17.77	81.84	1550.21
16 Oil Exploration & Prod(15)	2461.07	+1.1	2433.11	2465.18	2460.96	2061.83	2.13	1.62	36.37	33.08	1481.14
20 GEN INDUSTRIALS(276)	2081.36	+0.3	2075.41	2093.83	2082.87	1954.54	4.10	1.80	16.06	40.59	1139.43
21 Building & Construction(34)	1204.01	+0.1	1202.55	1203.07	1200.39	989.23	3.42	1.80	20.32	20.76	1009.89
22 Building Matls & Merchs(31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23 Chemicals(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24 Diversified Industrials(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Electronic & Elect Equip(37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Engineering(71)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Engineering, Vehicles(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Textiles & Apparel(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS(93)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Alcoholic Beverages(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(1)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(233)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(45)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Breweries, Pubs & Rest(24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(659)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(105)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72 Banks, Merchant(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(6)	3370.75	....	3370.05	3478.74	3485.14	2663.40	4.44	2.24	12.59	100.72	1413.04
77 Other Financial(21)	2671.89	–0.5	2685.35	2698.33	2703.76	2034.95	3.89	1.71	18.74	55.57	1530.22
79 Property(41)	1522.59	+0.1	1520.68	1526.75	1522.91	1463.04	4.17	1.30	23.08	29.84	941.79
80 INVESTMENT TRUSTS(126)	3165.76	+0.4	3154.18	3203.92	3201.47	2788.41	2.22	1.07	62.37	34.15	1107.44
89 FT-SE-A ALL-SHARE(890)	1874.87	+0.5	1866.16	1886.69	1885.49	1641.65	3.84	2.06	15.88	41.01	1591.63
FT-SE-A Fledgling	1276.42	+0.1	1275.60	1278.05	1275.68	1014.42	2.70	2.17	21.31	15.07	1335.46
FT-SE-A Fledgling ex Inv Trusts	1294.12	+0.1	1293.39	1295.22	1291.18	1009.86	2.89	2.35	18.40	16.16	1354.17

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	3729.2	3729.3	3731.9	3733.4	3734.2	3734.3	3730.8	3737.3	3719.5
FT-SE Mid 250	[illegible]	[illegible]	4446.1	4447.4	4449.0	4449.8	4452.4	4453.2	4453.3	4453.9	4445.7
FT-SE-A 350	[illegible]	[illegible]	1886.9	1887.0	1888.2	1889.9	1889.4	1889.8	1889.2	1890.7	1883.1

Time of FT-SE 100 Day's high: [illegible] Day's low: 9:53 AM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 3584.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	1180.0	1180.0	1180.0	1180.0	1180.0	1180.2	1180.7	1180.7	1178.4	+2.3
Pharmaceuticals	[illegible]	[illegible]	4940.0	4939.4	4938.2	4943.0	4940.9	4944.8	4935.6	4926.8	4900.4	+26.4
Water	[illegible]	[illegible]	2163.5	2153.5	2153.4	2154.9	2167.0	2161.7	2155.2	2155.2	2189.9	–34.7
Banks, Retail	[illegible]	[illegible]	3986.7	3981.4	3990.4	3988.5	3992.6	3986.5	3980.7	3984.9	3952.8	+32.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1996. All Rights reserved. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company * † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETIONS: African Lakes Corp (Fledgling), Dominion Energy (Fledgling), Brightstone Props (Fledgling). CHANGE OF NAME: Securicor Grp 'A' to Securicor (Mid 250).

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,600	447	+½
ASDA Group†	1,700	116½	+½
Abbey National†	1,100	542	+3
Albert Fisher	1,000	48	
Allied Domecq†	2,000	478	+6
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

APPOINTMENTS

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 10 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jun 10 / Frs.)

[illegible]

CZECH REP (Jun 10 / Koruna)

[illegible]

DENMARK (Jun 10 / Kr)

[illegible]

FINLAND (Jun 10 / Mka)

[illegible]

FRANCE (Jun 10 / Frs.)

[illegible]

GERMANY (Jun 10 / Dm.)

[illegible]

GREECE (Jun 10 / Drachma)

[illegible]

ITALY (Jun 10 / Lire)

[illegible]

NETHERLANDS (Jun 10 / Fls.)

[illegible]

NORWAY (Jun 10 / Kroner)

[illegible]

POLAND (Jun 10 / Zloty)

[illegible]

PORTUGAL (Jun 7 / Escudo)

[illegible]

SPAIN (Jun 10 / Pta.)

[illegible]

SWEDEN (Jun 10 / Kronor)

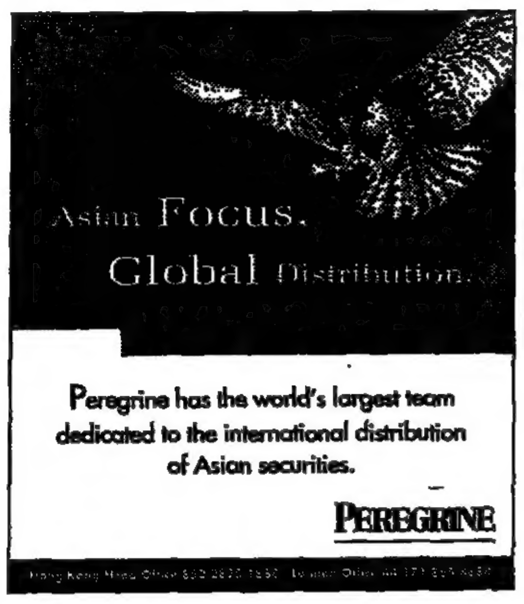
[illegible]

SWITZERLAND (Jun 10 / Frs.)

[illegible]

TURKEY (Jun 10 / Tk Lira)

[illegible]



PACIFIC

JAPAN (Jun 10 / Yen)

[illegible]

HONG KONG (Jun 10 / H.K.$)

[illegible]

INDONESIA (Jun 10 / Rupiah)

[illegible]

MALAYSIA (Jun 10 / MYR)

[illegible]

NEW ZEALAND (Jun 10 / NZ $)

[illegible]

SINGAPORE (Jun 10 / S$)

[illegible]

AUSTRALIA (Jun 7 / Aust$)

[illegible]

SOUTH KOREA (Jun 10 / Won)

[illegible]

TAIWAN (Jun 10 / TW $)

[illegible]

THAILAND (Jun 7 / Baht)

[illegible]

NORTH AMERICA

CANADA

MONTREAL (Jun 10 / Can $) 4 pm close

[illegible]

TORONTO (Jun 10 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Jun 10 / Rand)

[illegible]

INDICES

	Jun 10	Jun 7	Jun 6	1996 High		1996 Low	
[illegible]							
Italy							
Banca Comm. Ital(1972)	661.25	660.94	664.98	674.19	20/5	572.21	23/3
MIB General(2/1/96)	1121.0	1120.0	1127.0	1142.00	20/5	976.89	27/3
Japan							
Nikkei 225(16/5/49)	21719.15	21751.81	21804.48	22282.05	24/4	19734.70	13/3
Nikkei 300(1/10/82)	308.11	308.35	309.70	318.09	26/4	284.46	11/3
[illegible]							
CROSS-BORDER							
Eurotrack 100(26/10/90)	1686.82	1679.84	1667.65	1696.17	28/5	1694.46	11/1
Euro Top-100(26/6/90)	1445.03	1434.12	1447.61	1458.28	28/4	1333.01	11/1
HSBC JC Drgn(31/12/86)	(c)	378.37	378.69	393.16	10/4	344.18	2/1
ING Brngs Emrg(7/1/92)	(c)	161.19	161.22	164.14	14/5	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Jun	2090.0	2104.0	+17.0	2108.0	2095.0	26,740	51,778
Jul	2096.5	2102.5	+18.0	2102.0	2096.5	14,293	7,441
■ DAX							
Jun	2555.0	2556.0	+16.0	2564.0	2551.5	13,897	-
Sep	2575.0	2575.0	+16.5	2582.0	2570.0	754	-
■ OMX							
Jun	1575.00	1582.00	+18.58	1584.50	1575.00	2,073	17,231
Jul	1590.00	1590.00	+27.00	1590.00	1590.00	10	1,418
■ SOFFEX							
Jun	3562.0	3586.0	+24.0	3591.0	3560.0	8,053	26,008
Jul	3567.0	3571.0	+36.0	3580.0	3567.0	936	8,397

~ Sat Jun 8 : Taiwan Weighted Price 6109.22; Korea Comp Ex 903.32. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 10 - 2562.86 +16.63

US INDICES

Dow Jones	Jun 7	Jun 6	Jun 5	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5697.11	5687.18	5697.48	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.49	101.77	101.54	106.08 (14/2)	101.18 (8/5)	106.77 (10/10/93)	54.99 (1/10/81)
Transport	2237.41	2253.88	2252.22	2286.39 (22/5)	1882.71 (18/1)	2286.39 (22/5/96)	12.32 (8/7/32)
Utilities	208.47	210.24	210.87	224.99 (13/2)	203.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5708.93 (5750.67) Low 5588.69 (5658.46) (Theoretical♦) Day's high 5697.11 (5722.98) Low 5600.38 (5605.94) (Actual♦)

Standard and Poors							
Composite‡	673.31	673.03	678.44	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials¶	803.53	800.89	807.88	807.88 (5/6)	702.07 (10/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	67.34	68.22	68.59	68.59 (5/6)	59.87 (10/1)	69.58 (3/2/96)	8.64 (1/10/74)
NYSE Comp.	360.61	361.10	363.38	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (28/4/42)
Amex Mkt Val	588.31	602.04	609.27	614.99 (22/5)	520.05 (16/1)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Comp	1229.76	1232.54	1249.14	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Jun 7	May 31	May 24	Year ago
Dow Jones Ind. Div. Yield	2.16	2.18	2.15	2.50
	June 5	May 29	May 22	Year ago
S & P Ind. Div. yield	1.88	1.88	1.83	2.21
S & P Ind. P/E ratio	22.74	22.38	22.71	18.77

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Humana	10,370,100	14⅜	+⅛
K-Mart	8,654,400	12	—
IBM	6,140,300	101⅜	+⅛
Autozone	5,097,800	35⅛	+⅛
Humana	4,448,500	19	-4⅛
Digital Eqpt	4,402,100	46	-⅛
Wal-Mart	4,024,500	25	+⅛
Micron Tech	3,579,800	30⅛	+1⅛
Federal Nt	3,275,000	31⅛	-⅛
Bay Netwk	3,253,700	35⅛	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Jun 7	Jun 6	Jun 5
New York SE	448.251	493.180	375.376
Amex	29.511	28.146	28.737
NASDAQ	617.755	620.421	608.307
NYSE			
Issues Traded	3,135	3,145	3,183
Rises	693	1,018	1,401
Falls	1,863	1,382	980
Unchanged	679	745	802
New Highs	28	121	116
New Lows	57	17	18

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	674.20	673.85	+0.05	675.75	672.80	85,576	143,721
Sep	680.50	679.70	-	680.70	678.90	12,581	55,008
	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Jun	21720.0	21700.0	-110.0	21790.0	21650.0	17,408	219,599
Sep	21780.0	21730.0	-140.0	21850.0	21710.0	21,805	132,544

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

Prices supplied by Telekurs

■ TOKYO - MOST ACTIVE STOCKS: Monday, June 10, 1996

	Stocks Traded	Closing Prices	Change on day
Fuji Hvy Inds	19.1m	528	+4
Kanematsu Corp	18.9m	779	+24
Clarion	14.4m	800	+75
Ishihara Sgyo	5.9m	415	+20
Mitsui Mining	5.4m	660	+32
Kobe Steel	2.7m	300	-1
Toray Inds	2.6m	745	
Teijin	2.5m	574	-3
NKK Corp	2.4m	309	-4
Daido Stl Sheet	2.3m	1750	+120

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4 pm close June 10

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

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4pm close June 10

NYSE PRICES

Continued from previous page

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1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
21⅞	18½	TempltnEmMk	0.27	1.4		104	19⅜	19¼	19⅜	+⅛
7¾	6¾	TempltnGlob x	0.60	8.9		90	6⅞	6¾	6¾	-⅛
7½	6¾	TempltnGIF	0.60	8.6		1223	7	6⅞	7	+⅛
58½	47⅞	Tenneco	1.80	3.4	8	1278	53½	53	53⅛	-⅜
38¾	34⅜	Teppco Ptr	0.28	0.8	10	442	35¼	34⅝	35	-¼
27⅞	16	Teradyne			8	3444	18⅝	18	18⅛	-½
9¾	4⅛	Terex	0.06	0.7	2	74	8⅝	8½	8⅞	+¼
14¼	11	Terra Inds	0.16	1.2	7	1210	13⅝	13⅜	13⅜	
11⅝	8	Tesoro			4	294	11½	11¼	11¼	-⅛
88¾	75½	Texaco	3.20	3.8	34	4341	83⅞	83	83¼	-½
69¼	50¼	Texas Ind	0.40	0.6	10	2054	65⅝	65	65	
59⅝	42¾	TxInst	0.68	1.3	10	6145	54⅜	53⅛	53¾	-½
32½	25⅝	Texas Pac	0.40	1.3	29	87	31	30	30⅝	+⅛
42⅞	38½	TxUtil x	2.00	4.9	103	1953	40½	40¼	40½	+⅛
3⅛	2¼	Textl Inds	1.10	36.7	20	498	3⅛	3	3	-⅛
89	69⅛	Textron	1.76	2.1	17	1081	83⅝	82½	82⅝	-1
5½	3½	Thackeray			9	5	3½	3½	3½	
17	13½	Thai Cap	1.80	13.7		87	13⅞	13⅝	13⅞	
27¾	21⅝	Thai Fund	0.33	1.4		338	24¼	23⅞	24¼	+⅜
44⅜	30½	ThermoElec	0.12	0.3	36	830	43⅞	42⅞	42⅞	-⅞
44⅝	32⅜	Thiokol x	0.68	1.7	7	432	41	40⅛	40½	-¼
40½	35½	ThBett	1.12	2.9	18	253	39¼	38¼	38⅝	-⅜
23⅞	19¾	Thomas Ind x	0.40	2.0	17	37	20½	20½	20½	-⅛
25½	21½	360Comm			231	1732	23⅝	23⅛	23⅛	

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NASDAQ NATIONAL MARKET

4 pm close June 10

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AMEX PRICES

4 pm close June 10

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AMERICA

Dow weak as bonds continue to lose ground

Wall Street

US share prices were mostly lower in quiet midsession trading yesterday as the bond market continued to lose ground in the wake of Friday's stronger than expected figures on May employment, *writes Lisa Bransten in New York*.

At 1pm, the Dow Jones Industrial Average was 15.52 weaker at 5,681.59. The Standard & Poor's 500 lost 1.44 at 671.87 and the American Stock Exchange composite shed 1.75 to 597.56. Volume on the New York Stock Exchange came to 186m shares.

Sharp gains among biotechnology shares helped the Nasdaq composite to add 1.05 at 1,230.81, in spite of a drop in several computer-related technology companies. The Morgan Stanley high-tech 35 index slipped 0.2 per cent, while the Morgan Stanley biotech index jumped 1.6 per cent.

Leading biotech shares were featured by gains in Cephalon and Chiron. On Friday a US Food and Drug Administration panel recommended the approval of the companies' drug to treat amytrophic lateral sclerosis, known as Lou Gehrig's disease. Cephalon rose $2¾ or 12 per cent to $26 and Chiron added $3¾ or 4 per cent at $100¾.

Among computer-related technology companies, both Microsoft and Intel – the two largest companies on the Nasdaq – were lower yesterday. Microsoft lost $1¼ at $120¼ and Intel fell $¾ to $74¾.

The possibility of a price war among cereal makers hit companies in that area. Kellogg, the biggest cereal maker in the world, announced yesterday that it would lower prices on 16 of its products by an average of 19 per cent. Its shares retreated $2¾ or 4 per cent to $72. General Mills dipped $1¾ or 3 per cent to $55¾ and Ralcorp Holdings was off $¾ or 4 per cent at $23¾.

Westinghouse Electric gained $¾ or 5 per cent at $19¾ after announcing that it was reviewing the possibility of restructuring its broadcasting and industrial groups into two separate companies.

Community Health Systems rose $8¾ pr 30 per cent to $52 after the New York buyout company Forstmann Little said that it planned to acquire the company for $52 a share. Forstmann said that it expected to begin a tender offer for the shares today.

Canada

Toronto traded thinly after a firm start on higher bullion prices, Wall Street's deterioration at midday an evident influence as the TSE 300 composite index eased 3.03 to 5,134.22, and volume tumbled from 59.3m shares to 33.9m.

The gold and precious metals sector, by this time, was only 10.19 ahead at 11,837.67 but some of the sector's hot prospects were doing better than that: Bre-X Minerals was C$2.45 higher at C$23.90 in 2.58m shares; and Arequipa Resources rose C$1.70 to C$20.40 in a fraction under 1m.

Imax Corp, trading in light volume, climbed C$4 to C$53 after the company said that it had entered a joint venture with Circus Circus Enterprises to install the first IMAX 3D theatre, in Las Vegas.

Santiago moves ahead

Santiago held on to early gains as prices were supported by rises in Chilean American Depositary Receipts, and the weighted IPSA index was 0.97 higher at 98.31 at midsession.

Analysts noted that foreign demand was bolstered by optimism that recent cuts in fuel prices would be reflected in lower inflation in June and an eventual fall in interest rates.

MEXICO CITY edged back in late morning trade, with the IPC index 4.12 softer at 3,257.91. May inflation figures, released on Sunday by the Bank of Mexico, were already discounted by the market; the rate of 1.8 per cent was below the government's forecast.

SAO PAULO edged higher in volatile midsession trade ahead of the options expiry next Monday. The Bovespa index had gained 19.88 at 55,322.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1996	% change sterling † Start of 1996	% change in US $ † Start of 1996
Austria	+0.21	+5.15	+8.18	+19.08	+11.83	+11.06
Belgium	-0.18	+2.20	+17.53	+7.21	+0.60	-0.09
Denmark	+0.15	+0.21	+12.76	+8.89	+2.56	+1.86
Finland	-4.30	+2.57	-2.60	+11.50	+3.50	+2.79
France	-0.30	-0.10	+8.75	+15.13	+9.07	+8.31
Germany	+0.81	+3.17	+16.88	+10.81	+4.08	+3.36
Ireland	+0.79	+1.03	+26.69	+12.69	+11.84	+11.07
Italy	-1.80	-1.98	+2.79	+7.84	+11.07	+10.30
Netherlands	-0.58	+2.09	+29.31	+16.25	+9.25	+8.49
Norway	-0.08	+2.17	+17.90	+12.55	+9.12	+8.36
Spain	+0.81	+2.00	+26.99	+14.00	+7.58	+6.83
Sweden	+0.82	+2.02	+25.32	+15.71	+14.37	+13.58
Switzerland	-0.06	-0.14	+26.29	+7.42	-1.68	-2.36
UK	-1.21	-1.49	+10.03	+1.26	+1.26	+0.56
EUROPE	-0.47	+0.24	+14.86	+8.03	+4.36	+3.63
Australia	-2.06	-2.06	+9.88	-0.48	+6.63	+5.89
Hong Kong	-0.86	+4.74	+19.39	+12.69	+13.35	+12.57
Japan	-0.93	+0.66	+30.41	+4.32	-0.64	-1.33
Malaysia	-0.29	-1.68	+3.77	+12.71	+15.39	+14.59
New Zealand	-1.10	-4.22	-7.10	-6.71	-3.75	-4.42
Singapore	+1.04	-1.40	+5.56	+3.20	+4.33	+3.60
Canada	-1.65	-0.66	+14.16	+9.66	+10.31	+9.55
USA	+0.65	+3.15	+25.83	+9.19	+9.95	+9.19
Mexico	+1.86	+1.85	+61.47	+18.82	+22.56	+21.71
South Africa	-0.58	+0.86	+22.99	+11.91	-5.86	-6.51
WORLD INDEX	-0.14	+1.58	+22.99	+7.75	+5.87	+5.13

† Based on June 7 1996.

EUROPE

Bourses recoup Friday's losses in muted activity

Bourses were relieved after Wall Street's intra-day recovery last Friday, but there was a lack of enthusiasm on the buy side. **PARIS** rebounded from Friday's 1.5 per cent drop, the CAC-40 index rallying 18.85 to 2,120.84, but turnover was thin at FFr3.2bn, little more than half of Friday's FFr6.3bn.

Schneider, however, dealt in heavy volume, with nearly 1m shares in the electrical equipment maker block traded as it rose FFr5.60 to FFr247.80. There was talk of a persistent foreign buyer.

Carrefour, the hypermarket group, rebounded FFr72 to FFr2,772 after profit-taking last week. Sodexho, the catering company, climbed FFr108, or 5.3 per cent, to FFr2,148. Dealers here said that a long-standing sell order had been completed.

FRANKFURT made some attempt to reflect the recovery in the dollar and the better feeling about auto industry prospects. Volkswagen climbed DM10.10 to DM564.50 as the Dax index rose 16.93 to an Ibis-indicated 2,552.96.

However, turnover stayed low at DM6.7bn and, once again, the share price action came in concept stocks. In retailing, Kaufhof, with shareholders demanding better terms for the Asko/Metro merger, rose another DM16.05 to DM561.55. In sportswear, with Euro 96 in full swing, Adidas rose DM2.80 to DM120.90. SGL Carbon, down on profit-taking following the celebration of its New York listing, rebounded DM6 to DM176.

One of last year's favourites, SAP, extended its recent return to favour. A gain of DM8.10 at DM225.20 left the software company up 25 per cent over the past two months.

Ms Jadwiga Bobrowska at Merck Finck in Düsseldorf noted that SAP was standing on a current year price/earnings ratio of 29.7 compared with nearer 100 for its Dutch competitor Baan.

AMSTERDAM, none the less, saw a recommendation for Baan. Kempen & Co initiated the stock as an outperformer, and looked for earnings per share growth largely to surpass other open systems software providers. Baan, said Kempen, was just taking off, and the shares rose Fl 1.20 to Fl 59.10.

Analysts were also active in Ahold, the supermarket group which, they said, should produce a 16 per cent growth rate in net profits in its first quarter figures on Thursday. The shares rose Fl 1.60 to Fl 94.40.

The AEX index advanced 4.80 to 570.31, mostly on Friday's Dow. The dollar, meanwhile, helped Royal Dutch move up Fl 3.80 to Fl 262.10.

FT-SE Actuaries Share Indices

Jun 10 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1685.01	1685.76	1685.56	1685.66	1685.98	1686.90	1687.04	1686.82
FT-SE Eurotrack 200	1722.93	1724.45	1723.45	1724.50	1725.82	1725.22	1724.85	1724.40

THE EUROPEAN SERIES

	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3
FT-SE Eurotrack 100	1679.84	1687.85	1684.32	1681.26	1677.46
FT-SE Eurotrack 200	1719.47	1732.51	1728.60	1727.74	1719.12

Base value 1000 (26/10/90); Highday: 100 - 1687.66, 200 - 1726.28 Lowday: 100 - 1684.88 200 - 1722.83. † Partial.

MADRID closed at new highs, underpinned by Friday's government measures to boost economic growth. The general index rose 2.92 to 366.26, although turnover dropped from Pta59bn to Pta32bn.

Telefonica rose Pta40 to Pta2,400 after measures announced to open basic telephony to another domestic operator, the market believing that the government would not admit full foreign competition until after 1998.

On the growth measures, analysts liked electrical utilities and motorway stocks. Among the latter, Aumar rose Pta50 to Pta1,660, and Acesa Pta55 to Pta1,510.

MILAN was enlivened by news that the bourse authorities had cleared the way for the listing of Mediaset, Mr Silvio Berlusconi's television and advertising group.

Comparisons were immediately drawn with the flotation of Mediolanum, the life insurance and financial services group formerly owned by Mr Berlusconi's Fininvest, whose shares rose L245 to L15,826 yesterday, taking their advance to 32 per cent since the company was listed on June 3.

Elsewhere the market was quiet, with the Comit index edging 0.31 higher to 661.25.

Olivetti lost L12.5 to L954.8 as Mr Carlo De Benedetti, chairman and chief executive, said that he would appeal against a 4½-year jail sentence over his role in the collapse of Banco Ambrosiano, 14 years ago. Analysts noted that the sentence would be suspended awaiting the appeal.

Among the other De Benedetti companies, Cir rose L10 to L1,024 and Cofide was L12.5 higher at L537.5.

Fiat moved forward L58 to L5,204 on news that its car sales rose by 28.9 per cent in May in a European car market, excluding Italy, which increased by just 7.4 per cent.

ZURICH recouped some of Friday's losses but the mood was hesitant awaiting this week's US prices data. The SMI index rose 27.9 to 3,575.8.

Among a firm showing by the financial sector, SBC rose SFr4 to SFr235.7 and Swiss Re was SFr17 ahead at SFr1,233.

SMH picked up SFr28 to SFr860 on weekend press reports after last week's annual news conference.

OSLO combined the dollar with a firm oil price and took equities to a new all-time high, the total index closing 11.78, or 1.4 per cent, higher at 848.40.

The oil-based industrial complex Norsk Hydro rose NKr6.50, or 2.1 per cent, to a record NKr317; the conglomerate Orkla emulated this feat with its A shares up NKr15, or 4.5 per cent, at NKr347. Brokers said Orkla's better than expected four-month results last Thursday had continued to push up the share price.

STOCKHOLM saw particular strength in Ericsson and Volvo Bs, up SKr4 to SKr154 and SKr3.50 to SKr153.50, as the Affärsvärlden General index put on 29.4, or 1.5 per cent, at 2,017.8. Skane-Gripen, the building materials company, rose 25 per cent to SKr80.50 after a bid from Skanska.

WARSAW extended its rally into a sixth consecutive session, taking its cumulative advance to 11 per cent, but analysts warned that the market was ripe for profit-taking later in the week in the run-up to Russia's presidential elections on Sunday.

The Wig index climbed 378.6, or 3 per cent, to 13,025.5 in turnover that rose 16.6 per cent to 129.3m zlotys.

Banks gained ground in the wake of Bank Slaski's surge after ING agreed to pay 210 zlotys a share for a majority stake. BRE picked up 3.50 zlotys to 69 zlotys and BPK 5.50 zlotys to 165.50 zlotys. Slaski was flat at 238 zlotys.

BUDAPEST pressed ahead on speculative purchases of banking and pharmaceutical issues and the Bux index finished 33.50 higher at 2,993.84, just below the all-time peak of 2,997.08 set on May 14.

TEL AVIV added to Sunday's 1.7 per cent fall with another of 0.9 per cent on concerns over the policies to be pursued by Mr Benjamin Netanyahu, the prime minister-elect.

Investors were also worried by the call for an Arab summit later this month in Cairo which, they thought, could deal a blow to peace talks in the Middle East. The Mishtanim index shed 1.83 to 203.71.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Seoul takes profits, off 1.2% on new telecom licences

Telecoms-related profit-taking pulled **SEOUL** lower after the results of tenders for new telecommunications licences were announced. The composite index fell 11.15 to 892.17.

LG Information lost Won5,500 at Won98,000, although a consortium, which it led, won one of three licences to operate a personal communications network. Korea Mobile fell Won10,000 to Won755,000, Samsung Electronics Won700 to Won69,000 and Hyundai Engineering Won900 to Won38,000.

Against the trend, Dong Wha rose Won700 to Won33,000 after the company said that it was testing a new drug that could be used to treat liver and skin cancers, and certain types of rheumatism.

Several insurance shares also moved ahead on good earnings prospects. Oriental Fire and Marine strengthened Won1,500 to Won33,000 and LG Insurance picked up Won1,800 to Won97,600.

Tokyo

A nervous session closed mixed as caution prevailed ahead of Friday's settlement of the June futures contract, *writes Emiko Terazono in Tokyo*.

The Nikkei 225 average finished 32.66 down at 21,719.15, after moving narrowly between 21,641.28 and 21,733.42. A decline in futures prices in Chicago on Friday prompted technical selling, but the dollar's appreciation triggered some small lot buying of export-oriented stocks.

Domestic institutions and foreign investors remained inactive and volume shrank to 264m shares, its lowest this year. Positions in the futures markets were being rolled over from the June contract to its September equivalent, said traders, and investors remained uncertain due to the large arbitrage positions.

The Topix index of all first section stocks slipped 1.77 to 1,657.92 and the Nikkei 300 ended 0.24 easier at 308.11. Declining stocks outnumbered advances by 594 to 399, while 211 issues were unchanged.

In London the ISE/Nikkei 50 index gained 1.36 at 1,457.50.

Retailers were led down by Takashimaya, the Osaka-based department store, which was raided over the weekend on alleged ties with yakuza. The stock fell Y50 to Y1,670 on allegations that the retailer had paid off gangsters to prevent them from heckling at its annual shareholders meeting. Investors feared that the allegations could hit the company's image, and affect its sales during the summer gift-giving season.

Seven-Eleven Japan, the convenience store chain, dipped Y60 to Y6,590 and Daiei, the leading national supermarket chain, lost Y10 to Y1,270.

Speculative favourites were bought, although caution spread due to the volatility of some issues. Tokai Kogyo, the general contractor, forged ahead Y100 to Y920 and Kanematsu, the trading company, jumped Y24 to Y779; but Kanematsu-NKK was bid at Y3,610 after being offered at Y3,850 on Friday.

In Osaka, the OSE average relinquished 57.53 at 22,867.55 in volume of 16.1m shares.

Roundup

Profits were taken after recent gains in **KARACHI**'s blue chips, and ahead of the opening of the new account today. The KSE 100 index fell 22.14, or 1.3 per cent, to 1,726.38.

PTCL lost PRs0.65 to PRs44.25 and Hubco PRs0.95 to PRs36.35, although Pakistan State Oil capped losses late last week, and on Sunday, with a token rise of PRs2 to PRs403.

HONG KONG registered moderate losses, largely ignoring Friday's rout of Hong Kong stocks, traded in London, which fell in a knee-jerk reaction to the early sell-off on Wall Street. The Hang Seng index fell 53.31 to 11,143.24.

Turnover dipped to HK$3.2bn as investors awaited this week's US economic data, and a series of forthcoming new issues.

Lai Sun Development rose 8 cents to HK$1.56 in heavy trading after the chairman cut his stake to 5.5 per cent. Yue Yuen gained 12.5 cents at HK$2.025. Goldman Sachs said on Sunday that it would inject $55m into the footwear maker.

TAIPEI saw late selling of large-capitalisation stocks and financials; brokers expected continued consolidation and cautious sentiment. The weighted index closed 36.13 lower at 6,073.09, some 50 points off its intra-day high. The heavily weighted financials fell 1.2 per cent.

KUALA LUMPUR worried about interest rates, and analysts noted that two large bond issues, totalling M$3.4bn, in the next two weeks would tighten interbank market liquidity. The composite index eased 2.80 to 1,128.87, but Hong Seng Lee, which made its trading debut, closed at M$8.30, against its M$3.20 offer price.

BOMBAY overcame early weakness as foreign funds, cheered by assurances that the new government would liberalise the economy, bought blue chips. The BSE-30 index finished 23.13 higher at 3,889.34.

Shanti Gears, the motor components group jumped Rs17.50 to Rs237.50 in response to last week's announcement of sharply higher net profits.

SHANGHAI's local currency A index climbed 39.720, or 5.2 per cent, to a year's high of 800.050 as institutional investors speculated in stocks expected to be included in a new blue chip index. Hard currency B shares picked up from Friday's all-time low, the index firming 0.215 to 47.347.

DHAKA hit a record high ahead of tomorrow's Bangladeshi general election. The all-share index passed 900 on Saturday with a rise of 7.61 to 901.49. Analysts predicted that the rally would continue after the polls; yesterday the index added 0.57 at 902.06.

● Sydney and Bangkok were closed for holidays.

S African industrial gains pared

Johannesburg, operating for the first time with its automated trading system, saw industrial shares pull back after an early 64-point advance in response to Wall Street's late bounce on Friday. Gold shares started the day weak, although analysts explained this as a correction from Friday's artificially high bids. The overall index ended 11.6 up at 6,826.4, industrials gained a net 26.3 at 8,024.7 and golds finished 15.4 down at 1,896.7. De Beers closed R1 softer at R137, SA Breweries put on R3 at R131 and Liberty Life appreciated R1.25 to R135.25.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock. FRIDAY JUNE 7 1996: US Dollar Index to Gross Div. Yield; THURSDAY JUNE 6 1996: US Dollar Index to Local Currency Index; DOLLAR INDEX: 52 week High, 52 week Low, Year ago (approx).

National and regional markets	Fri US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Thu US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (79)	201.22	1.0	193.50	138.71	160.53	169.09	0.3	4.36	199.22	191.68	137.51	156.47	168.53	212.18	182.68	188.53
Austria (25)	193.83	-0.6	186.39	133.61	154.63	154.56	-0.3	1.81	194.94	187.57	134.56	155.07	154.99	199.28	168.11	195.50
Belgium (27)	208.95	-0.8	200.92	144.03	166.69	182.73	-0.4	4.09	210.57	202.61	145.35	167.50	183.43	215.81	188.06	194.27
Brazil (26)	164.88	-1.3	158.53	113.64	131.52	303.22	-1.2	2.14	167.03	160.71	115.29	132.86	306.86	171.06	123.97	136.89
Canada (99)	162.61	-0.6	156.37	112.09	129.72	160.76	-0.6	2.37	163.61	157.42	112.93	130.14	161.66	165.12	134.14	140.97
Denmark (30)	294.13	-0.4	282.83	202.75	234.65	237.00	-0.1	1.90	295.23	284.07	203.79	234.85	237.27	305.17	275.65	281.29
Finland (23)	192.28	-1.8	184.89	132.54	153.39	190.09	-1.4	2.55	195.40	188.02	134.88	155.44	192.76	276.11	171.73	215.83
France (97)	194.32	-1.5	186.86	133.95	155.02	158.46	-1.3	3.03	197.25	189.79	136.15	156.91	160.50	198.39	167.70	187.65
Germany (60)	169.19	0.0	162.70	116.63	134.98	134.98	0.3	1.85	169.17	162.78	116.78	134.57	134.57	174.38	155.66	157.84
Hong Kong (58)	436.43	-0.2	419.67	300.84	348.17	433.70	-0.2	3.29	437.26	420.73	301.83	347.83	434.42	451.19	346.81	365.84
Ireland (16)	283.80	-0.9	272.90	195.63	226.40	253.13	-0.9	3.39	286.37	275.54	197.67	227.80	255.50	286.37	228.88	230.34
Italy (59)	81.29	-1.4	78.17	56.04	64.85	94.18	-1.2	2.33	82.47	79.35	56.93	65.60	95.38	84.53	67.22	74.67
Japan (481)	152.87	-0.3	147.00	105.38	121.96	105.38	-0.4	0.73	153.31	147.51	105.82	121.95	105.82	164.68	137.75	151.58
Malaysia (107)	555.90	-0.3	534.55	383.19	443.48	534.70	-0.3	1.66	557.48	536.40	384.81	443.46	536.33	585.09	425.77	548.54
Mexico (18)	1260.63	-0.4	1212.22	868.97	1005.69	10367.61	-0.2	1.37	1266.00	1218.14	873.88	1007.07	10388.25	1325.65	791.99	860.36
Netherland (19)	295.88	-1.3	284.51	203.95	236.04	231.97	-1.0	3.11	298.69	288.36	206.87	238.40	234.27	298.69	245.79	249.72
New Zealand (15)	76.14	0.3	73.22	52.49	60.74	60.35	0.0	4.55	75.94	73.07	52.42	60.41	60.33	85.49	75.94	82.23
Norway (35)	250.62	-1.2	241.00	172.76	199.94	223.24	-1.0	2.03	253.77	244.17	175.17	201.87	225.42	255.75	221.20	222.57
Singapore (44)	421.89	-0.3	405.69	290.82	336.57	273.94	-0.3	1.37	423.18	407.16	292.09	336.61	274.60	465.21	355.81	404.54
South Africa (45)	360.23	-0.6	346.40	248.31	287.38	343.60	-0.4	2.11	362.45	348.75	250.19	288.32	344.89	437.78	338.91	347.64
Spain (37)	176.47	-0.7	169.70	121.65	140.78	173.08	-0.7	3.21	177.74	171.02	122.68	141.39	174.30	179.85	145.15	147.43
Sweden (48)	354.47	-1.8	340.86	244.34	282.78	354.31	-1.6	2.40	360.77	347.13	249.03	286.98	360.08	360.77	269.68	264.48
Switzerland (38)	230.41	-1.6	221.56	158.82	183.81	180.84	-0.9	1.64	234.11	225.26	161.60	186.23	182.49	252.34	191.24	199.46
Thailand (46)	175.11	-0.3	168.39	120.71	139.70	172.36	-0.3	1.91	175.66	169.04	121.27	139.75	172.91	193.95	146.74	173.06
United Kingdom (201)	231.82	-1.3	222.92	159.80	184.94	222.92	-1.4	4.17	234.94	226.06	162.17	186.89	226.06	237.43	210.29	217.57
USA (627)	274.34	0.0	263.80	189.10	218.85	274.34	0.0	2.15	274.37	264.00	189.39	218.26	274.37	276.47	215.77	218.08
Americas (772)	250.46	-0.1	240.84	172.65	199.81	210.54	0.0	2.15	250.58	241.10	172.97	199.33	210.63	252.43	197.86	199.75
Europe (715)	208.17	-1.2	200.18	143.50	166.07	183.55	-1.0	3.07	210.62	202.66	145.38	167.54	185.39	211.35	187.21	189.99
Nordic (136)	302.12	-1.5	290.52	208.26	241.02	265.44	-1.3	2.31	306.61	295.02	211.64	243.90	268.89	306.61	250.62	254.20
Pacific Basin (831)	166.16	-0.2	159.78	114.54	132.56	116.69	-0.3	1.18	166.51	160.22	114.94	132.46	117.11	177.01	146.66	161.49
Euro-Pacific (1546)	183.56	-0.7	176.51	126.53	146.44	142.02	-0.7	2.08	184.79	177.80	127.55	146.99	142.86	190.57	166.51	173.27
North America (726)	267.42	0.0	257.16	184.34	213.34	266.72	0.0	2.18	267.51	257.40	184.65	212.80	266.81	269.52	211.12	213.26
Europe Ex. UK (514)	190.16	-1.1	182.85	131.08	151.70	159.56	-0.8	2.46	192.22	184.95	132.68	152.90	160.81	192.87	168.40	170.87
Pacific Ex. Japan (350)	289.09	0.1	277.99	199.28	230.63	249.61	-0.1	3.06	288.80	277.88	199.35	229.73	249.81	296.68	249.59	256.94
World Ex. US (1736)	184.91	-0.7	177.81	127.46	147.52	146.49	-0.7	2.08	186.15	179.11	128.49	148.07	147.45	191.36	167.36	173.85
World Ex. UK (2162)	210.74	-0.3	202.65	145.27	168.12	179.74	-0.3	1.91	211.35	203.36	145.89	168.12	179.83	213.05	180.73	184.22
World Ex. Japan (1882)	245.55	-0.4	236.12	169.26	195.89	233.07	-0.4	2.52	246.56	237.24	170.18	196.13	233.91	247.55	205.87	207.69
The World Index (2363)	212.67	-0.4	204.50	146.60	169.66	183.31	-0.4	2.11	213.48	205.41	147.36	169.82	184.00	214.70	183.83	187.13

Latest prices were unavailable for this edition.